Daily Report

Latin America

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FBIS-LAT-95-005 *9 January 1995*

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Mexico, Mercosur States Extend ALADI Validity Terms

PY0701020795 Madrid EFE in Spanish 1747 GMT 4 Jan 95

[FBIS Translated Text] Brasilia, 4 Jan (EFE)—Mexico and the four member countries of the Common Market of the South [Mercosur] have postponed to the end of January the validity of the preferential tariff agreements negotiated with the Latin American Integration Association (ALADI).

The parties have established in Brasilia a new term to define reduction of the import tariffs contemplated in the agreements, due to difficulties that have come up during the negotiations process.

Negotiations with Mexico are more complicated because they include requests for compensation by the countries that realized they were being harmed by Mexican concessions to the NAFTA members.

In Brasilia, Mexican Foreign Minister Jose Angel Gurria Trevino explained that "a legal framework to govern trade among the countries and to increase trade flow" is being sought.

Gurria Trevino, who attended Brazilian President Fernando Henrique Cardoso's installation ceremony on 1 January, said that an agreement, in which each country recognizes that it also belongs to a different integration mechanism, must be signed.

The Mexican foreign minister said: "The trade agreements currently in force must be compatible with the new reality."

In the Brazilian town of Ouro Preto, the Mercosur Common Market Group evaluated last month the development of agreements signed with ALADI—which integrates all the South American countries and Mexico—establishing a free trade zone to be in force for a maximum of 10 years.

The group noted that negotiations with ALADI are progressing in a positive manner, "with the sole exception of Mexico, which has been keeping the process stagnant."

The Mercosur delegates—Argentine, Brazilian, Paraguayan, and Uruguayan—have specially mentioned the fact that ALADI has made the protocols formal "not only to postpone the reciprocal preferential tariffs deadline, but also the negotiation of the free-trade zone, until 30 June 1995."

A document released by the Common Market Group points out that "when it examined the Mexican crisis issue, the Common Market Group expressed deep concern over the current state of the negotiations."

The Group also reiterated "the importance of postponing, before 31 December, the deadline for the preferential tariffs agreed upon (with Mexico), and the need to begin negotiations seeking to expand the scope of the preferential tariff system and to deal with the compensation issue during the first six months of this year."

To this extent, the Mercosur "decided to instruct the diplomatic representatives of the four countries in Mexico City to jointly address the appropriate Mexican officials with a view toward negotiation of these issues."

The Group also agreed to keep the Mercosur Common Market Council, which is comprised of the economic affairs and foreign relations ministers of the four Mercosur member countries, informed.

'Text' of Mercosur Ouro Preto Accords Issued

PY0601160095 Sao Paulo GAZETA MERCANTIL in Portuguese 20 Dec 94 p 6

["Text" of the agreements signed by the foreign ministers of the Common Market of the South, Mercosur, during their meeting in Ouro Preto, Brazil, on 16-17 December]

[FBIS Translated Text] The following is the text of the agreements signed in Ouro Preto by the foreign ministers of the Mercosur countries: Argentina, Brazil, Uruguay, and Paraguay.

Regime of Origin

Mercosur/CMC [Common Market Council]/DEC [Decision] No. 23/94

Considering:

The Treaty of Asuncion, Common Market Council Decisions No. 5/94, 6/94, 7/94, and 9/94, and Resolution No. 48/94 of the Common Market Group, and

Whereas:

Decision No. 6/94 by the CMC approved the Regulations applying to the Regime of Origin of Mercosur;

In addition to the General Regime of Origin that was defined in that document, Decision 6/94 established that after approval of the lists of exceptions to the Common External Tariff [CET] that are provided for in Decision 7/94, Sub Work Groups Nos. 1 and 10 should establish, at the appropriate time, specific requirements of origin for the products included in the lists;

Complying with that decision, requirements of origin were established for the products included in the list of exceptions to the CET and for the products of the capital goods, informatics, and telecommunications sectors that are subject to tariff convergence mechanisms; and

Under the terms of Resolution No. 48/94 of the Common Market Group, the items included in the Adjustment Regime may be exempted from the CET, and therefore a Regime of Origin should apply to them for intra-Mercosur trade;

The Council of the Common Market hereby decides:

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Article 1. The General Regime of Origin defined by the regulation approved through Decision 6/94 shall apply to the products that were given exception from the CET. In addition to the General Regime of Origin, the specific requirements of origin that are included as Annex I to this Decision shall also apply to those products. The General Regime of Origin of Mercosur (60 percent of regional participation) shall apply to informatics products until 31 January 1995, when the specific requirements for the sector will come into force.

Article 2. The previously mentioned criteria of origin shall be used for intra-Mercosur trade, for the products included in the list of exceptions to the CET in the following cases, without precluding the terms of Decision 7/94 with respect to Paraguay and Uruguay:

a) when one or more signatory countries make exception for a specific NCM [Common Mercosur Nomenclature] item from the CET, setting a higher tariff for it (convergence by reduction), the Regime of Origin shall apply to the imports made by such country or countries, in the period during which the tariff approaches the CET;

b) when one or more signatory countries make exception for a specific NCM item from the CET, setting a lower tariff for it (convergence by growth), the Regime of Origin shall apply to the exports made by such country or countries, in the period during which the tariff approaches the CET.

Article 3. The abovementioned criteria shall also apply to exports that, originating from one or more signatory countries, are destined for another or other signatory countries, and which involve goods for which non-common commercial policy measures were adopted.

Article 4. The General Regime of Origin (60 percent of regional added value) shall apply to capital goods.

Article 5. Before 31 March 1995, the Trade Commission shall submit to the GMC [Common Market Group] a list of the products to which the Mercosur Regime of Origin will apply, because their raw materials, parts, pieces, and components are in a regime of convergence with the CET, and because their value surpasses 40 percent of the FOB [free on board] value of the final product (Article 2 of the Annex to Decision No. 6/94).

Article 6. The Trade Commission will propose to the GMC, whenever appropriate, the review of specific requirements of origin or, if necessary, the establishment of new requirements.

Article 7. The model of the Mercosur certificate of origin, which is described in Annex II, is hereby approved.

Article 8. Economic agents may up to 31 March 1995 use the ALADI [Latin American Integration Association] Certificate of Origin, and indicate in the Certificate of Origin and in the Commercial Bill the country code and the NCM code. Eventual NCM classification mistakes will not hinder the rapid passing of merchandise through customs.

Article 9. The text of the Annex to Decision No. 6/94 is hereby modified in the following parts:

—in Article 14, the expression "Article 17" should read "Article 4."

—in Article 19, the expression "Article 19" should read "Article 18."

Annex I

1. Chemical Sector

Products of Chapters 28 and 29 must comply with the origin requirement established in letter "C" of Article 3 of the General Regime, and be obtained through productive processes that create a molecular modification resulting from a substantial transformation, thus creating a new chemical identity.

2. Iron and Steel Sector

Iron or Non-Alloy Steels

NCM	Description	Requirements
7208	flat rolled iron or non-steel products with width equal or above 600 mm, heat rolled, non-laminated, or coated	must be produced from alloy products included in numbers 7201 through 7206, cast or transformed into ingots.
7210	flat rolled iron or non-alloy steel products with width equal or above 600 mm, laminated or coated.	
7216	iron or non-alloy rods	
7217	iron or non-alloy wires	

Stainless Steel

NCM	Description	Requirements
7220	flat rolled stainless steel products, with width below 600 mm	must be produced from products included in NCM 7218
7222	stainless steel bars and rods	
7223.00.00	stainless steel wires	

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3. Telecommunications Sector

NCM	Description	Requirements
8517	electrical telephone apparatuses or wireless telegraphy, including telcommunications apparatuses using carrier	must comply with the origin requirement foreseen in Article 3, letter "C" and the following process
	EXCEPT:	
	8517.40.21	assembly of at least 80 percent of the printed circuit plates per product; assembly and welding of all components in the printed circuit plate; electrical and mechanical parts entirely disassembled to the basic level of components and integration of the printed circuit plates into the final product
	8517.40.22	
	8517.40.23	
	8517.40.29	
	8517.40.32	
	8517.40.51	
	8517.81.10	
8525	transmitter (emitter)	
	apparatuses for radiotelephony, radio-telegraphy, radio broadcasting or television even if incorporating a receiver or a recording set or a sound reproducing set, television cameras	
	EXCEPT:	
8525.20.11	electrical parts and	
	8525.20.12	
	8525.20.21	
	8525.20.23	
	8525.20.30	
8527.90.19	others	
8529.90.12	printed circuits assembled with electric or electronic components	
8529.90.19	others	
8543.80.12	NOM [expansion unknown]	
8543.80.14	NOM	
8543.80.15	NOM	
8543.80.19	others	
8543.80.90	others	

4. Informatics Sector

01. Basic

8470.50.11 8470.50.19 8471.20.13 8471.20.90 8471.91.59 8471.91.60

8471.91.90 8471.92.11 8471.92.12 8471.92.19 8471.92.21 8471.92.22

8471.92.29 8471.92.41 8471.92.49 8471.92.52 8471.92.53 8471.92.59

8471.92.61 8471.92.62 8471.92.71 8471.92.72 8471.92.73 8471.92.74

8471.92.80 8471.92.99 8471.93.31 8471.93.39 8471.93.90 8471.99.11

8471.99.13 8471.99.19 8471.99.21 8471.99.22 8471.99.23 8471.99.29

8471.99.90 8471.90.10 8472.90.21 8472.90.29 8472.90.59 8473.29.90

8473.30.11 8473.30.19 8473.30.21 8473.30.24 8473.30.29 8473.30.31

8473.30.39 8473.30.99 8473.40.90 8511.80.30 8517.40.21 8517.40.22

8517.40.23 8517.40.29 8531.20.00 8537.10.10 8540.10.20 8540.10.30

8540.30.12 9026.10.11 9028.30.11 9028.30.21 9028.30.31 9028.20.19

9030.39.11 9030.39.19 9030.40.10 9030.40.20 9030.40.30 9030.40.90

9030.81.10 9030.81.20 9030.89.30 9030.89.40 9030.89.90 9030.90.20

9032.89.23 9032.89.24 9032.89.25 9032.89 29 9032.89.81 9032.89.82

90.32.89.83 9032.89.89 9032.90.90;

A. Assembly and welding of all the components in the printed circuit plates.

B. Assembly of the entirely disintegrated electrical and mechanical parts making up the final product at the basic level of components.

C. Integration of the printed circuit plates and of the electrical and mechanical parts making up the final product in compliance with the aforementioned "A" and "B" items.

The following modules or subsets are exempted from assembly:

1. Mechanisms (No. 8473.30.22) for printers under No. 8471.92.21;

2. Mechanisms (No. 8517.90.91) for "facsimile" apparatuses under Nos. 8517.40.21 and 8517.40.22;

3. Printer heads, No. 8473.30.23, for on-line printers (No. 8471.92.11).

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The use of subsets assembled by third parties in the signatory countries will be accepted as long as their production complies with what is established in items "A" and "B."

The inclusion of magnetic and optic disk units and a power source into a single body or cabinet shall not invalidate enforcement of the Regime of Origin that has been defined.

02. Portable Microcomputers (8471.20.13 and 8471.20.19)

A. Assembly and welding of all components on printed circuit boards that perform processing and memory functions, peripheral control units for keyboard, video, and magnetic hard disk units, and the interfaces for parallel and social communications [comunicacao social e paralela—as published], cumulatively.

If central processing units incorporate, in the same body or cabinet, printed circuit boards performing local network functions or that emulate terminal functions, all the components of such boards shall be welded to and assembled on the printed circuit boards.

B. Assembly of electrical and mechanical parts from totally individual pieces, at the basic component level.

C. Integration of printed circuit boards and electrical and mechanical parts for formation of the final product, in line with sections "A" and "B" above.

The assembly requirement shall not apply to the following modules or subsets:

—display (position 8473.30.91 and 8473.30.92)

The inclusion of magnetic and optical disk units, and a power source into a single body or cabinet shall not invalidate enforcement of the Regime of Origin that has been defined.

03. Digital Processing Units of Low Capacity Computers (8471.91.10)

A. Assembly and welding of all components on printed circuit boards that perform memory and processing functions and the following interfaces: serial, parallel, magnetic disk units, keyboards, and video, cumulatively.

If central processing units incorporate, in the same body or cabinet, printed circuit boards performing local network functions or that emulate terminal functions, all the components of such boards shall be welded to and assembled on the printed circuit boards.

In the "diskless" [preceding word in English] type of digital processing units, which are destined for interconnection in local networks, assembly of the board implementing the local hetwork interface may substitute for assembly of the boards performing the serial, parallel, and magnetic disk unit interfaces.

B. Assembly of electrical and mechanical parts from totally individual pieces, at the basic component level.

C. Integration of printed circuit boards and electrical and mechanical parts for the final product, in line with sections "A" and "B" above.

The inclusion of magnetic and optical disk units and a power source into a single body or cabinet shall not invalidate enforcement of the Regime of Origin that has been defined.

04. Digital Units of Computers of Medium and High Capacity (8471.9120 and 8471.91.30)

A. Assembly and welding of all components on the set of printed circuit boards that perform at least 3 (three) of the 5 (five) following functions: a) central processing; b) memory; c) integrated control unit/interface or peripheral control units; d) system support and diagnosis; e) communications channel or interface with unit for incoming and outgoing data and peripherals; or, alternatively, assembly of at least 4 (four) printed circuit boards that perform any of those functions;

B. Assembly and integration of printed circuit boards and electrical and mechanical sets for the final product;

C. When the product is assembled with sets in the form of a cabinet, those sets must be assembled on the basis of its subsets, such as: power source, printed circuit board, and cables.

If an enterprise decides to assemble the number of printed circuit boards that is established under "A," if it uses standard boards such as, for example, "SIMM"-type memory boards of No. 8473.30.42, one board per function will be considered, irrespective of the number of boards that were used for performing the function.

To comply with this regulation, the use of subsets assembled in signatory countries by third parties will be authorized, provided their production observes the terms of "A," "B," and "C."

The terms of this Regime also apply to peripheral control units, such as disk, tape, and printer monitors and optical and/or magnetic displays, and the expansion of the functions mentioned in section "A," even if such control units are not included in the same body or cabinet of the digital processing units.

05. Digital Units of Very High Capacity Computers (8471,91.40)

A. The assembly and welding of all the components in a group of printed circuit boards capable of implementing at least two of these five conditions: a) communications channel; b) memory; c) central processing; d) integrated/interface control unit; e) system support and diagnosis, or alternatively, the assembly of at least 3 (three) printed circuit boards capable of performing either one of those functions.

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B. The assembly and integration of printed circuit boards and mechanical and electrical sets for the final product.

C. When the assembly of the product is implemented with sets in the form of a cabinet, these sets will have to be mounted starting from subsets such as: power source, printed circuit board, and cables.

When the company chooses to assemble the number of printed circuit boards established in item "A" and uses boards that are standard on the market, such as memory boards of the type "SIMM" of No. 8473.30.42, it will be considered to be a board per function independent of the number of boards used to implement the function.

In order to fulfill established requirements it will be possible to use subsets mounted by third parties in member countries whenever the production of such subsets is in accordance with what is established in items "A," "B," and "C."

What is established in this Regime is also applicable to peripheral control units, such as those controlling disk, ribbons, printers, optical or magnetic readers, and the expansion of functions mentioned in item "A" when they are not presented in the same body or cabinet holding the digital processing units.

06. Hard Disks (8471.93.12 and 8471.93.19)

A. The assembly and welding of all the components in printed circuit boards.

B. Assembly of electrical and mechanical parts, entirely disassembled, at the basic level of components (HDA-Head Disk Assembly).

C. Integration of printed circuit boards and electrical and mechanical parts into the final product, in accordance with items "A" and "B" above.

D. The use of subsets mounted by third parties in member countries will be admitted whenever production is in accordance with items "A" and "B."

E. In the case of production of magnetic disks with storage capacity greater than 1 gigabyte per unformatted HDA (Head Disk Assembly) there will be an option between fulfilling what is established in items "A" or "B," because in the case of fulfilling what is established in item "A" all components in the printed circuit board will have to be welded and mounted in order to perform at least two of the following functions.

I—communication with the disk controlling unit;

II—positioning of the reading and recording sets, or

III—reading and recording.

07. Printed Circuits Assembled with Electric or Electronic Components (8473.29.10; 8473.30.41; 8473.30.49; 8473.40.10; 8517.90.10; 8529.90.12 and 9032.90.10)

Assembly and welding in the printed circuit plates of all the components, as long as they do not belong to No. 8473.30.

08. Plates (Memory Modules) With a Surface Smaller or Equal to 50 Square Centimeters (8473.30.42)

A. Assembly of uninsulated [nao encapsulada] semiconductor chips.

B. Insulation of chips.

C. Electrical testing.

D. Marking (identification) of the component (memory).

E. Assembly and soldering of the semiconductor components (memory) into the printed circuit.

09. Semiconductor Components and Optical-Electronic Devices (8541.10.22; 8541.10.29; 8541.10.32; 8541.10.39; 8541.21.30 NOM; 8541.29.20; 8541.30.21; 8541.30.29; 8541.40.16; 8541.40.21; 8541.40.22; 8541.40.26; 8541.50.20; 8542.11.21; 8542.11.29; 8542.11.31; 8542.11.39; 8542.19.21 and 8542.19.29)

A. Assembly of the uninsulated semiconductor chip.

B. Insulation of the mounted chip.

C. Electrical or optical-electronic testing.

D. Marking (identification).

E. Bipolar integrated circuits with technology greater than five micrometers (micra) and power diodes must also carry out the physical-chemical processing of the semiconductor chip.

F. Monolithic integrated circuits designed in one of the signatory countries are exempted from the "A" and "B" phases.

10. Thick or Thin Film Components (8542.20.10 and 8542.20.90)

A. Physical-chemical processing over substratum.

B. Electrical or optical-electronic testing.

C. Marking (identification).

D. For the production of hybrid integrated circuits, the semiconductor components used as raw material for their production are exempted from complying with items "A," "B," and "C."

11. Photovoltaic Cells (8541.40.31 and 8541.40.32)

A. Physical-chemical processing, concerning stages of division, texturing, and metallization [mentalizacao—as published].

B. Insulation of the mounted chip.

C. Electrical or optical-electronic testing.

D. Marking (identification).

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12. Optical Cables (8544.70.10; 8544.70.30; 8544.70.90; and 9001.10.20)

A. Coating of fibers.

B. Bunching of fibers in groups.

C. Bunching to form a core.

D. Removal of the covering or application of metallic webbing and marking.

E. Activities described in items "A" and "B" conducted by third parties will be admitted as long they are done in one of the signatory countries.

F. The enterprises will have to conduct engineering activities concerning the development and adjustment of the product to its manufacture and operational approval testing.

G. The optical cables will have to use fiber optics that comply with the specific origin requirement established for the same.

13. Fiber Optics (9001.10.11 and 9001.10.19)

A. Physical-chemical processing to obtain the preform [preforma].

B. Fiber pulling.

C. Tests.

D. Packing.

E. The activity described in item "A" can be conducted by third parties, as long as it is conducted in one of the signatory countries.

F. The enterprises will have to conduct engineering activities concerning the development and adjustment of the product to its manufacture and testing.

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Cuba

U.S. Official Cited on Moving Rafters in Panama

FL0701152195 Havana Radio Progreso Network in Spanish 1100 GMT 7 Jan 95

[From the "First Thing" program]

[FBIS Translated Text] On 6 January, the United States began deporting Haitian citizens—in some cases voluntarily and in others forcefully—who were concentrated [concentrados] at the U.S. Naval Base at Guantanamo. The U.S. Government offered each Haitian $80 and a guaranteed job upon his return to Haiti, but the majority of the refugees did not accept the offer due to the fact that the forceful repatriation had begun.

U.S. Defense Department spokesmen have said that the possibility of returning the illegal Cuban immigrants currently being held in Panama to the Guantanamo naval base is being studied. The Panamanian Government's deadline for the so-called rafters to remain in that country is 6 March. Christine Shelly, State Department spokeswoman, has said that the United States is looking for a third country to where the rafters can be sent.

More on Moving Rafters

PA0701141495 Havana Radio Havana Cuba in Spanish 1300 GMT 7 Jan 95

[FBIS Translated Text] U.S. military spokesman David Holland has reported that the U.S. Government is preparing to return to Guantanamo more than 8,000 Cuban rafters who had been taken to Panama, a country they must leave in early March in accordance with an agreement with the Panamanian Government. Holland told REUTER that alternative plans are being prepared, but declined to reveal the nature of those plans.

In Washington, U.S. State Department spokesperson Christine Shelley said the U.S. Government is trying to persuade other countries to accept the rafters now living in Panama. She added that no final decision has been made.

Writer on Republican Control Over U.S. Congress

PA0801122295 Havana PRENSA LATINA in Spanish 0029 GMT 8 Jan 95

[FBIS Translated Text] Havana, 7 Jan (PL)—Although demands to harden the U.S. blockade against Cuba have gained force in the U.S. Congress and among ultrarightist sectors of Cuban immigrants, the siege against the island will face more opposition in 1995.

This was the statement expressed by Cuban writer Nicanor Leon Cotayo in an article to which PRENSA LATINA had access today. He warned the GOP's control over the U.S. Congress indicates a hardening of actions against Cuba.

The commentary mentions Jesse Helms, the senator from North Carolina and the new chairman of the Senate Foreign Relations Committee, as one of the main spokesmen for the "anti-Cuba crusade," and says the number of businessmen, investors, and merchants linked to Cuba is growing each year.

Helms, identified by Leon Cotayo as a staunch defender of former Chilean dictator Augusto Pinochet, has said efforts to terminate the Cuban revolution will be redoubled, and he has announced he will work in favor of making the blockade against the island a worldwide issue.

Helms also has defended the need to draft a plan that will enable Washington to conduct its affairs in a "post-Castro" phase. Leon Cotayo stated in that regard "those legislative initiatives are a blow in the face of the international community, which has condemned the aggressive measure at the United Nations for three consecutive years."

The article states those initiatives are promoted, among others, by Jorge Mas Canosa, president of the national Cuban-American Foundation, and Republican Congressman Lincoln Diaz-Balart, both of Cuban origin, who have drafted documents against holding negotiations with Cuba.

Coinciding with the radio stations financed by the White House, which demand an intensification of the blockade against Cuba, Mas Canosa and Diaz-Balart have sent letters to embassies accredited in Washington and have presented draft bills to discourage businessmen in the world, reprisals, from conducting any business transaction with Havana.

Those investors, Leon Cotayo stated, are not ideologically supporting Cuban Government leaders; they are only accepting the rules and opportunities offered by an economic model that has shown them its seriousness.

In the same manner, those investors are not being overpowered by gangster—like factions that lack the minimum legal or moral right to lead them.

With those actions, the article concludes, "neither congressmen with the ideas of cavemen or the Miami neo-annexationists are showing any strength. On the contrary, they are revealing the growing fears that Cuba, which is advancing, inspires in them."

Diplomat Attends New York City Council Meeting

FL0601151295 Havana Cuba Vision Network in Spanish 0100 GMT 6 Jan 95

[From the "NTV" newscast]

[FBIS Translated Text] Cuba's permanent representative to the UN, Fernando Ramirez de Estenoz, today attended the first 1995 meeting of the New York City Council. The council members of the legislative body of

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the most important U.S. city conveyed to the Cuban diplomat that the moment had arrived to (?make) changes in policy towards Cuba. The council members recommended to Washington [words indistinct] with Cuba, specifically in the areas of mutual trade and tourism.

French Firm Ends Petroleum Exploration Operations

PA0701174595 Paris AFP in Spanish 1922 GMT 6 Jan 95

[FBIS Translated Text] Havana, 6 Jan (AFP)—The French Total Petroleum Company has decided to end explorations in Cuba, causing some displeasure among Cuban authorities, revealed an economic source in Havana.

The appropriate authorities, that is, the Basic Industry Ministry and the state-run Cuba Petroleo, were advised of Total's decision by letter in late December after the company had performed two unsuccessful marine drillings near Cardenas, about 150 km east of Havana

At any rate, Total will maintain a small commercial representation after withdrawing in February, the same source added.

The French company had played a pioneering role in 1990 when it signed the first "risk contract" in Cuba. According to such contracts, foreign firms interested in exploring and producing petroleum must invest at their own risk and finance part of such operations with the petroleum produced, should the venture prove successful.

The two unsuccessful drillings were made last year in a marine area [bloque] assigned to Total. The company was scheduled to drill for a third time in upcoming months in a second assigned area on land in the center of the island in association with foreign companies, one of which is Canadian.

Two other French companies are currently operating in Cuba's petroleum sector. They are the Oil for Development Company of the Bourgoin Group, which is carrying out seismic research in Camaguey and Villa Clara Provinces (central Cuba), and Compagnie Geofinanciere, whose Cuban branch, Geopetrol Yumuri, is associated with Cuba Petroleo in a contract to increase production.

Last month Geopetrol announced the discovery of new petroleum pockets in Puerto Escondido, 70 km east of Havana. In May, the Canadian Northwest Energy firm, a branch of Sherritt, made the first successful marine drilling near Cardenas, which should turn out to be commercially profitable.

In both cases, the petroleum discovered is only of mediocre quality, from 11 to 16 API grades (versus 33 grades for Brent petroleum), which is similar to petroleum already exploited in Cuba that is characterized by its heaviness and high sulfur content.

This, however, has not discouraged foreign companies that signed "risk contracts" with Cuba in the past years, especially after an international bid was launched in 1993 in an attempt to discover higher quality fields.

In the face of a severe energy crisis with the end of Soviet petroleum shipments under advantageous conditions, Cuba last year produced nearly 1.3 million tonnes of petroleum versus 1.1 million in 1993.

This production, which represents less than 20 percent of the island's energy needs, is due primarily to the high technology contributed of foreign firms. Above all, they increased the yield of petroleum wells already exploited in Varadero and Boca de Jaruco, the main production zone, located 100 km east of Havana.

Russians Host Reception To Commemorate Revolution

FL0701133295 Havana Radio Rebelde Network in Spanish 0000 GMT 7 Jan 95

[From the "Exclusive" program]

[FBIS Translated Text] Russian Government and legislative personalities, as well as some 70 chiefs of diplomatic missions, attended a reception hosted by Ambassador Rogelio Montenegro in Moscow today commemorating the 36th anniversary of the Cuban Revolution. (Gennadiy Ziyamov), leader of the Communist Party faction in the State Duma, and (Anatoliy Notiyanov), delegate and former Supreme Soviet official, were among those who congratulated the Cuban ambassador. (Davilid Zatalov), leader of the Friendship with Cuba organization; (Karen Gasaturov), leader of the Committee for Cooperation with Latin American People; (Yuriy Baytulin), presidential adviser on security matters; and other officials also attended.

Alarcon Discusses Economic Recovery Process

PA0901035495 Havana Radio Havana Cuba in Spanish 0000 GMT 9 Jan 95

[From the "Evening Information Review" newscast]

[FBIS Translated Text] Ricardo Alarcon, president of the National Assembly of the People's Government, has said that Cuba initiated an economic recovery process while its enemies were announcing the end of the revolution.

During an interview published by JORNAL DO BRAZIL on Sunday, Alarcon said Cuban authorities have implemented a mixed economy with state capital and a greater presence of foreign capital following the island's difficulties. Alarcon said this is Cuba's response to save the achievements of the revolution, particularly in the fields of health, education, and social assistance.

He added that reductions in defense and public administration expenditures resulted in savings in 1994. Conversely, allocations for education, health, and social

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assistance were increased. He also noted the considerable increase in the number of tourists over the past few years and added that the modest results of these actions have already been observed in certain areas of the Cuban economy.

Alarcon also referred to the increase in oil production on the island with the participation of French and Canadian corporations. Finally, he mentioned accomplishments in the island's pharmaceutical industry.

Alarcon headed the Cuban delegation that attended Brazilian President Fernando Enrique Cardoso's inauguration on 1 January.

Ministry Spokesman Holds News Conference

PA0701122695 Havana Radio Havana Cuba in Spanish 0100 GMT 7 Jan 95

[Report by Isidro Fardales from the "Evening Information Review" newscast—passages within quotation marks are recorded]

[FBIS Translated Text] [Fardales] The weekly news conference granted by Cuban Foreign Ministry Spokesman Miguel Alfonso took place on 5 January. He opened it on this occasion in an unusual manner due to the need to officially reveal the position of the Cuban Government on rumors disseminated abroad, especially in Miami, the United States:

[Alfonso] "First, I would like to open this meeting with you—and this action is unusual on my part—by making a denial, a formal denial that is important for us. It pertains to certain rumors disseminated abroad, especially in Miami, regarding an alleged agreement between the Cuban Government and the United States to make the dollar the currency used to pay for a number of services offered by the U.S. Interests Section in Havana and the Cuban Foreign Ministry.

I will dedicate the first part of my (?meeting) to formally deny the existence of such an agreement. I will give you the story of what has happened. I will also formally deny the part of the rumor claiming the Cuban Foreign Ministry is demanding payment in dollars for a number of certification and translation services, which are normally offered through the Foreign Ministry. All these rumors are totally and absolutely false."

[Fardales] He immediately added the Cuban Foreign Ministry has replied this intention openly clashes with Cuban legislation on this matter and thus contradicts the country's juridical establishment [institucionalidad], which has specified since 1984 that the only legal tender is the Cuban peso, except for express authorizations issued by the National Bank. The reaction to our concern, the Foreign Ministry spokesman stated, has been one of total understanding, but we are awaiting, he added, a formal reply from the U.S. Interests Section:

[Alfonso] "I want to underscore the content of that reply does not [words indistinct] that Cuban legislation opposes that kind of unilateral decision made by the U.S. Government. Every international legislation in force, particularly in the area of diplomatic relations, makes explicit reference to the fact that all diplomatic missions are obligated to comply with Cuban legislation or the host country's legislation, and this point pertains to their activities in the country in this generic case.

I want to open this meeting by denying and refuting that there is any truth to this alleged agreement and to news that has circulated in the United States, especially in Miami, specifically there, that the Cuban Foreign Ministry is demanding dollars for certain services to those requesting them, especially to Cuban and foreign personnel who might need certifications."

[Fardales] In another part of his weekly meeting with Cuban and foreign journalists accredited in our country, Miguel Alfonso announced the Australian foreign minister will begin a visit to Havana on 18 January, and he added two important Canadian delegations will come to Cuba during the same month. One of them will consist of representatives of nongovernment organizations who will exploit the best ways to ensure the resumption of Canadian cooperation with Cuba. The other delegation will consist of eight parliamentarians representing the entire Canadian political spectrum within the framework of interparliamentarian relations.

The Foreign Ministry spokesman also revealed the Cuban and Canadian Foreign Ministries, the diplomatic missions of the two nations, and other Cuban institutions are preparing to mark with several activities the 50th anniversary of the establishment and uninterrupted maintenance of relations between the two countries. Another issue discussed this Thursday were talks between Cuba and the United States on migratory matters:

[Alfonso] "Because you are always interested in bilateral talks, I would like to reaffirm a new round of talks to assess the implementation of the 9 September agreement with the United States on migratory matters will start in New York on 18 January. Our delegation will be headed by Comrade Ricardo Alarcon. Everything seems to indicate to me the remainder of the delegation will consist of the same working team that has been involved in this effort so laboriously."

[Fardales] In response to journalists' questions on this issue, Miguel Alfonso said:

[Alfonso] "I would say that we have verified that both parties are making efforts to comply with what they have promised in the agreements. The round of talks to begin on 18 January in New York will see the results of the agreement implemented in the past days and months, especially since the meeting that took place in Havana. Likewise, everything related to the normalization of

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immigration relations—and you know Cuba's stance on this issue—is going to be discussed."

[Fardales] One of the last questions replied by Foreign Ministry Spokesman Miguel Alfonso was about rumors spread by certain news agencies about a possible removal of Cuban Foreign Minister Roberto Robaina:

[Alfonso] "Let me tell you a few things. First, the sources of those rumors, one in Spain, the other in Miami, have a long tradition of fantasizing with the Cuban reality. If we spent our time denying each one of those fantasies, we would have no time for anything else, and we have other things that are more significant and important to do.

"To put this in the right perspective, do not forget these speculations, which are not new, as you rightfully said, are taking place at a time when everybody and their uncles know there are prospects enabling us to face 1995 with moderate optimism and a different morale than in 1994 and 1993. This point is important. Those sources were always characterized by adopting a biased and defamatory attitude and fantasizing about the Cuban reality. If the press is interested in the subject, however, the source cited is very close to you. You can consult that source, from where the information originated, right here in the country, without having to go too far.

"I do want to mention one thing regarding this situation. As you know, the foreign minister who supposedly will be dismissed will begin a broad Asian tour on 23 January. So far, this tour, which, as I said, will begin on 23 January, will include Japan, Thailand, the Philippines, Korea, and will possibly be extended to other countries. Anyway, as I said, there are more serious and important things to do than dedicate our time to these types of rumors, as we already know from where they come and who promotes them. In sum, let's not waste our time, please."

[Fardales] The priorities of the Cuban Foreign Ministry were also mentioned during Alfonso's meeting with the press:

[Alfonso] "One of the priorities that is always on the Foreign Ministry's agenda is being consistent with the efforts undertaken by our country in general to be abreast of the times we are living. As our Foreign Ministry has stated, this point is the first on the agenda. Second, you know the priorities of our foreign policy in general. Our relations with Latin America have acquired and developed per se special importance at this time. This is not detrimental to the development of our relations with the rest of the world.

We will not divert from or abandon the process of normalizing our relations with Cuban immigrants in other countries. In other words, priorities are clearly defined. At this time, I believe, Cuba has demonstrated the alleged isolation of our position, which differs somewhat from the generalized wisdom.... [pauses] has clearly demonstrated that isolation does not exist. Above all, I believe the fact a country can go to the UN General Assembly and obtain the approval of a draft resolution in a direct clash with the United States with more than (?100 votes) says a lot about how much Cuba or the United States is isolated. I believe this point is important.

"The tours on various regions the foreign minister began in 1994 will continue in 1995. I just announced his Asian tour. There will be additional tours. Other visits are being planned, as we must continue this campaign."

Bahamas

Cubans Transferred to Prison Following 3 Jan Riot

FL0701002295 Bridgetown CANA in English 2233 GMT 6 Jan 95

[FBIS Transcribed Text] Nassau, Bahamas, Jan. 6, CANA—One hundred and fifty-two Cuban men have been transferred from a detention centre in Nassau to prison following a violent breakout by 22 refugees Tuesday.

"We decided that these people were security concerns, those who participated in the uprising. We took the decision that all those persons who participated in the uprising and the unprovoked attack on the law enforcement officers at the centre represented a serious concern to the governance of the centre and the lives of other inmates at the centre," said Dr. Doswell Coakley, director of immigration.

Friday, the women and 32 children were still being detained at the centre. However, according to Coakley, most of the single women will be relocated.

"We have cause to believe that what happened the other day could happen again, and during the course of today, it is likely that the females, not the mothers and children, will be moved. It is possible that all the single women will be relocated since they took part in the uprising as well," said Coakley.

More than 50 guards wielding batons and automatic weapons converged on the centre Thursday for the transfer. It was reported that the only men left behind was an elderly man. The women and children huddled in a small group near one of the barracks. Women whose husbands and brothers had been carted away wept. One woman, who left Cuba with her brother and husband more than five months ago in a desperate search for freedom, walked over to the middle of the field, dropped to her hands and knees and began to pray. Another young woman ran over to the gate to show the injuries she claimed she received at the hands of police officers Tuesday night. Her left ear and the side of her head have been stitched up. Coakley said he has not received any

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information to support the woman's claim. He speculated that the woman received the injury when she jumped out of a glass window while attempting to escape Tuesday.

Coakley said that the Ministry of Foreign Affairs is continuing its efforts to find a country that will accept the refugees. He was satisfied that the process would be accelerated as a result of the break-out.

On reports that the Cubans' supply of water and electricity had been restricted to night hours after the first break-out, Coakley said: "I know of no such reports whatsoever, or of any attempt made to reciprocate for the unprovoked attack."

Radio Reports Cabinet Reshuffle 5 Jan

FL0701004695 Nassau Bahamas Radio Network in English 1800 GMT 5 Jan 95

[FBIS Transcribed Excerpt] Topping the 1300 report: New assignments for government ministers in the 1995 reshuffle of the cabinet and the appointment of five new ministers of state and two new parliamentary secretaries. The cabinet changes were announced during an address to the nation last evening by Prime Minister the Right Honorable Hubert Ingraham. The changes are:

- Deputy Prime Minister and Minister of Tourism the Honorable Frank Watson;
- Minister of Foreign Affairs, with responsibility for women's affairs, the Honorable Janet Bostwick;
- Minister of Social Development the Honorable Maurice Moore;
- the Honorable C.A. Smith will take over as minister of public safety and immigration;
- Senator Brent Symonette has been appointed attorney general;
- the Honorable Tennyson Wells will be the new minister of transport;
- appointed minister of public works is the Honorable Arlington Butler;
- the Honorable Algernon Allen remains minister of youth and culture;
- the Honorable Theresa Moxey-Ingraham will take over as minister of health and environment;
- Senator the Honorable Dame Dr. Ivy Dumont will be the new minister of education;
- minister of finance and planning is the Honorable William Allen;
- appointed minister of agriculture is Mr. Pierre Dupuch;
- the prime minister will take responsibility for housing and local government.

In announcing the changes, the prime minister noted that appointments will be implemented with no increase in budget allocation. [passage omitted]

The prime minister also announced the appointment of Mr. (Tommy Tanfast) as minister of state in the Ministry of Finance and Planning.

The member of Parliament for St. Agnes, Mr. Charles Virgil, is minister of state in the prime minister's office.

David Thompson, MP for (Macro) City, becomes minister of state in the office of the prime minister for Grand Bahama and the family islands.

Mr. Calvin Johnson moves to the office of deputy prime minister as parliamentary secretary.

Senator Alvin Smith was appointed parliamentary secretary in the Ministry of Education and Training.

And Mr. Anthony (Roll), MP for Carmichael, is minister of state in the Ministry of Health and Environment.

Haiti

U.S. Troops Teargas Police Registration Crowds

FL0701022195 Port-au-Prince Signal FM Radio in French 1130 GMT 6 Jan 95

[FBIS Translated Excerpt] Hundreds of youths continue to flock to the Justice Ministry to join the new Haitian police force. Troops frequently used tear gas to restore calm outside the Justice Ministry, the main registration site, on 5 January. Officials then announced that as a last resort, registration will be suspended until further notice. Applicants did not hide their displeasure with the troops' behavior. Kenol Dorvil reports:

[Begin recording, in Creole] [Dorvil] Registration to join the new police force continued at the Justice Ministry. U.S. troops and military police had to intervene to restore calm outside the Justice Ministry on 5 January, following a very tense situation in front of and inside the building that involved over 3,000 applicants. U.S. troops had to use tear gas to scatter the crowd every 10 minutes. The troops then announced that registration was suspended until 6 January. [passage omitted]

Several applicants we interviewed said that officials must find other ways to allow registration to take place without problems so that incidents between U.S. troops and Haitian citizens do not recur. Applicants deplore the U.S. troops' behavior.

[Unidentified speaker] This is giving me a headache. This is a real headache. Things would not be like this if the current government were truly serious. They should not need U.S. troops to come and (?cause all those problems) because, imagine...[pauses] U.S. troops thump people and use tear gas. I saw men laughing at a woman who was vomiting from all the tear gas in her face. Things would not be done this way if they were truly serious. Keep in mind that I have been here since 0300 and still cannot enter.

[Dorvil] Nevertheless, you hope to register?

[Unidentified speaker] Of course. I want to serve my country. However, I see how things are going and I am afraid that I will have to call it a day. I think that I will

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have to leave. I think that I will not...[pauses] I will have to call it a day. [passage omitted]

[Dorvil] Applicants are registering to enter the police academy and the police school. There are two definite camps emerging as applicants register to join the new police force: One camp is satisfied with registering, while the other is criticizing the registration process. [end recording] [passage omitted]

[Signal FM reports during the same newscast: "People are mobilizing everywhere in an effort to create the new Haitian police force. The Department of the South—Les Cayes—began registering applicants for the new Haitian police force on 5 Janaury, after Port-au-Prince, Leogane, and Jeremie. However, the situation there is different from that in Port-au-Prince."]

Defense Minister To Head Army Regulations Commission

FL0801004995 Bridgetown CANA in English 2212 GMT 7 Jan 95

[From the "Broadcast News Summary"; no dateline as received]

[FBIS Transcribed Text] The headquarters of the Haitian military is to become the offices of the recently-created Ministry for Women's Affairs. The army headquarters was feared by ordinary Haitians as a symbol of the army's power. A presidential decree issued on Saturday said three new commissions were also being set up to study the new army, the new police force and the interim security corps. It said Defence Minister Wilton Lherrison will head the commission to rewrite the internal regulations of the army, which will be cut from 6,000 to 1,500 and its duties altered. Senior Justice Ministry and police officials will sit on another commission with similar responsibilities concerning the new police force.

Radio Reports U.S. Plans To Repatriate Refugees

FL0701023995 Port-au-Prince Signal FM Radio in French 1130 GMT 6 Jan 95

[FBIS Translated Excerpt] Officials at the Guantanamo naval base reported on 5 January that the United States is preparing to repatriate several thousand Haitian refugees against their will. The same sources reported that military authorities ordered ships to prepare to carry out these repatriations on 5 January after only 665 of the 4,500 Haitians on the U.S. base had agreed to return to their country under a voluntary repatriation program.

The deadline for Haitian refugees to take advantage of the opportunity to return under this program—which offered each refugee $80 and a job in Haiti's public works system—was midnight local time on 4 January. About 3,900 refugees declined the U.S. offer, hoping to meet conditions for political asylum in the United States. The people who declined the voluntary repatriation program will be asked to return to Haiti, Christine Shelly, State Department spokesperson, said, without explaining whether they would be repatriated by force.

The first U.S. boat was scheduled to depart Guantanamo on 5 January with 107 voluntary Haitian repatriates and 200 others embarking against their will on board, Commander Rick Thomas, a military spokesman, said, adding that the INS will hear Haitians who fear returning to their country on an individual basis. He said that those hearings should last about one month. [passage omitted]

Several humanitarian organizations based in the United States, including Human Rights Watch, condemned the Clinton administration on 5 January for putting Haitian refugees at risk by repatriating them against their will in violation of the principle acknowledged by the international community forbidding the return of refugees to a country where they risk persecution.

A total of 139 voluntary Haitian repatriates arrived from Guantanamo Bay on 5 January. [passage omitted]

Union of Democrats Wants Occupation To End

FL0701030095 Port-au-Prince Signal FM Radio in French 1130 GMT 5 Jan 95

[FBIS Translated Text] Jean L. Theagene, of the National Union of Haitian Democrats [UNDH], is back in charge. The UNDH leader said in a prerecorded new year's statement entrusted to Signal FM that he believes that those who should defend the country from foreign occupation have handed it to wolves. Theagene criticized those countries that, he says, use their forces against little countries like Haiti in the name of humanity. He no longer wants national territory to be occupied:

[Begin Theagene recording] Dear compatriots and friends: As a distant but privileged witness of an era referred to as the new Haiti, here we are again, faithful to our decision to gather as democrats [democrate rassembleur] and uncompromising nationalists, sending out at year's end to our Haitian compatriots words that can galvanize hearts and gird loins. Here we are, facing winds that are shaking the world at the four cardinal points—in the east, as well as in the west, in the south, as well as in the north—brandishing the only flag that is appropriate under this circumstance, namely that of humanity as existential philosophy, political ideology, and the rule of the democratic game. Finally, here we are in the indifference of the kingmakers and regime casters, breaking the infernal tradition of the lands of plenty that are exerting their privileges of force, their prerogatives of violence with impunity over countries of misery. [end recording]

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Prime Minister Meets Legislators on Draft Budget

FL0701123895 Port-au-Prince Signal FM Radio in French 1130 GMT 6 Jan 95

[FBIS Translated Excerpt] Haitian Prime Minister Smarck Michel visited Parliament on 5 January, meeting in private with lower chamber members. Although correspondents were not allowed into this Chamber of Deputies meeting, we have learned from reliable sources that elections and the national budget were at the center of the discussion. The Haitian Government leader's meeting with legislators took place eight days after the draft government budget had been submitted to Parliament. The legislators will study and make any necessary corrections to the draft budget before voting on and adopting it. Daly Valet reports:

[Begin Valet recording, in Creole] The Chamber of Deputies Finance Commission continues to examine the budget for fiscal year 1994-1995, a budget assessed at 3.45 billion gourdes. Commission President Luc Dieudonne prepared a study on the budget in which he criticizes budget allocations, saying that some ministries receive too much money whereas others are treated like a poor relative. Therefore, the commission decided to meet with officials of all the concerned ministries so that they can come and defend the budget the government had planned for the institutions they are leading. The commission does not intend to increase or decrease the total budget but will change the way funds are distributed.

On 5 January, the commission will meet officials from the Interior, National Defense, and Information Ministries and from Parliament; on 6 January, it will be the Public Works, Women's Affairs, Foreign Affairs, and Justice Ministries' turn; on 7 January, it will be the turn of the presidency, the prime minister's office, the provisional electoral council, and the Environment Ministry.

Deputy Dieudonne thinks the office of the prime minister has too little money in comparison with the office of the president, whose budget has been doubled and even trebled. [passage omitted] [end recording]

Christian Democratic President Discusses Elections

FL0701132695 Port-au-Prince Signal FM Radio in French 1130 GMT 5 Jan 95

[FBIS Translated Excerpt] The president of the Haitian Christian Democratic Party [PDCH]—the late Sylvio Claude's party—demands electoral process transparency. Asked about the Provisional Electoral Council's [CEP] formation, Joachim Pierre said that Haitian society is living in extremely difficult times and that everyone is tempted to violate the 1987 Constitution according to one's own political interests. The PDCH president said that the new CEP is like the old CEP and called for the understanding of all Haitian politicians to facilitate the unfolding of the forthcoming campaigns:

[Begin recording, in Creole] [Pierre] [passage omitted] To avoid all that, those who think of participating-...[pauses] As I said, it is not smart. I would rather fall into the sea; I would rather fall into the river; (?at least) I have a chance to struggle before falling into the sea, before falling into the abyss.

[Correspondent] [Words indistinct] PDCH is ready to participate in the forthcoming elections?

[Pierre] We have made one condition clear: There must be what we call transparency in managing the CEP because certain CEP members...[pauses] You know, we are...[pauses] We learned our lesson in 1990, so we are more cautious [ou konnen nou se, nou se...nou se chat-....nou chode deja an 90 nan dlo cho, nou we dlo fret kounye a, nou kouri kon chwal mawon, nou pe]. We must be clear about that. (?Given the presence of) certain personalities at the CEP's helm, we think political parties should be able to participate in the process—that is, establish a consensus in which we could have control over or at least control the behavior of the Departmental Electoral Offices [BED] and the Communal Electoral Offices [BEC]. These institutions make all the decisions. They are the very laboratories of the rascals. All concerned political parties must have some kind of control so that history is not repeated, so that things can unfold within a more or less balanced framework in which everyone has one's cards and can defend one's cards so one is not stabbed in the arms...[pauses] so one is not stabbed in the back, so one is not [words indistinct]. [passage omitted]

We have not said that (?they must) absolutely participate. We reached a consensus. We ask them to pattern themselves on the same principle of consensus so we can be considered BED and BEC member candidates. The BEDs and BECs include not only the nine CEP members: There will be many BEDs, there will be many BEC's, there will be many registration and voting offices. These are laboratories for the elections. We would like the selection of those who will lead them to be a process involving consensus—that is, a process whereby the various political parties that can participate in the elections come to an agreement. Those conditions must be laid down. One must make sure that those people are not going to work for only one party—for example, for the Lavalas Political Organization or for lavalas—because we want there to be balance in Parliament. The balance will benefit everyone. It is at this sole price that the democracy that we are preaching, that the president is preaching, that the international community is also preaching...[pauses] They came here for that, to have democracy move forward. Democracy cannot move forward when Parliament is led by only one category of people, especially those in power. [end recording]

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Jamaica

Prime Minister Confirms Cabinet Changes

FL0801005095 Bridgetown CANA in English 2303 GMT 7 Jan 95

[By Garfield Myers]

[FBIS Transcribed Text] Kingston, Jamaica, Jan. 7, CANA—Jamaica Prime Minister Percival Patterson Saturday announced a major reshuffle of his cabinet.

At a Press conference, Patterson said that three leading members of his cabinet—Construction Minister O.D. Ramtallie, Industry, Commerce and Tourism Minister Carlyle Dunkley and Health Minister Desmond Leakey—had asked to be relieved of their responsibilities.

A leaner, more streamlined cabinet will include one new face in current state minister for Agriculture, Roger Clarke, who will now have responsibiloity for a newly created Ministry of Local Government and Works, said Patterson.

Other major changes included the shifting of Agriculture Minister Seymour Mullings to Foreign Affairs and Foreign Trade. Paul Robertson, formerly foreign minister, will now have responsibility for a new Ministry of Industry, Investments and Commerce.

The Public Service Ministry will be scrapped and the responsibilities transferred to the Ministry of Finance, run by Omar Davies.

Peter Phillips, previously Minister Without Portfolio, will now have the Health Ministry.

Patterson announced that a number of responsibilities, including Tourism and the crucial National Housing Trust, will be transferred to the Office of the Prime Minister.

Nonetheless, John Junor will now be Minister of Tourism within the Office of the Prime Minister.

The Prime Minister said that the changes were necessary as part of an effort to make government more effective and more responsive to the needs of the poor.

Political analysts say the decision to reshuffle the cabinet at this time was also influenced by growing concerns about public apathy and even hostility to the political process.

Patterson said the cabinet changes would take effect January 16 and changes would also be extended to other arms of the public sector.

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Energy Secretariat Denies Pemex, Electricity Privatization

PA0901023795 Hamburg DPA in Spanish 2152 GMT 8 Jan 95

[FBIS Translated Text] Mexico City, 8 Jan (DPA)—The Mexican petroleum and electricity industries "are not for sale," the administration of President Ernesto Perez Zedillo stated today, thus denying reports those industries will be privatized in the future to face the country's economic crisis.

In an extensive communique issued in this capital, the Energy Secretariat said that "Mexican Petroleum (Pemex) and the Federal Electricity Commission (CFE) are and will continue to be assets of the nation."

"The Constitution and the laws that regulate the productive processes of those energy sectors have not changed, nor are there plans to change them," it stressed.

The Energy Secretariat thus countered reports of alleged government plans to privatize certain strategic sectors of the two industries, currently under state monopoly.

The secretariat admitted, however, that the government will accept private capital in "nonessential assets that fall outside the sphere reserved for the state, such as the secondary petrochemical sector" and in "the independent generation of electricity for exclusive sale to the CFE."

The communique does not mention reports indicating that the government is planning to "reclassify" some petrochemical sectors as secondary so it may turn them over to private capital.

After stating that the ownership and direct control of hydrocarbons belong to the state, the Energy Secretariat said President Ernesto Zedillo "has emphatically stated that Pemex will not be privatized."

It added that the privatization of the secondary petrochemical sector and by-products that do not fall within the state sphere was decided upon in October 1992 but could not be implemented due to the slump in industry prices worldwide.

Nevertheless, it said the "sustained and generalized upturn" of those prices in the second quarter of 1994 has created "favorable conditions" to successfully undertake privatization.

The objective of the "privatization" of those sectors, according to the Mexican Energy Secretariat, is to obtain resources for the considerable investments required for Pemex' "strategic activities."

Regarding electricity, it indicated that the participation of the private sector will be confined, as planned, to the production of electricity for the enterprises to supply themselves and to joint production or production of electricity for sale to the CFE.

Private and foreign consultants and international organizations have suggested to Zedillo that he end the "nationalist myth" of petroleum and open that industry's doors to private capital in order to obtain firm long-term investments as a solution to the crisis unleashed by the $28 billion current account deficit.

PRI Leader Denies Pemex Privatization Planned

PA0601234895 Mexico City Radio ACIR Network in Spanish 1820 GMT 6 Jan 95

[Report by Juan Carlos Escobedo]

[FBIS Translated Text] The leader of the PRI [Institutional Revolutionary Party] said it is an exaggeration to say Mexico is bankrupt, but she did agree with the PRD [Party of the Democratic Revolution] opposition that Pemex [Mexican Petroleum] and other state-owned companies should remain in the hands of Mexicans.

Maria de los Angeles Moreno, who presides over the PRI's National Executive Committee, held a news conference this morning. She acknowledged there is much discontent among the people due to the effects of the economic crisis. She called for the unity of Mexicans to face the crisis, admitting it is not the first nor the last crisis that will have to be overcome.

She also established her party's position, however, on the possible privatization of Pemex. She said this enterprise, as others, is strategic and basic to the development of Mexico and should remain in the hands of Mexicans. The senator for the Federal District said her party is prepared to assume its responsibility and to pay the political price for the economic crisis. The senator said it was necessary to get hold of the best strategies and staff to explain to the people and to seek votes for this year's elections.

Regarding the lawsuits for a political trial against officials of the former administration, Moreno said that the opposition will have to substantiate its accusations and that the PRI will follow legal procedures for the defense of these officials. Moreno said it is up to the Comptroller General's Office of the Finance Secretariat, which is in the hands of PAN [National Action Party] Deputy Juan Antonio Garcia Villa, to audit the public accounts and summon as many officials as it considers necessary to explain the exercise of public spending. She considered it useless, however, to look for guilty parties, and she also rejected the statement the country is bankrupt:

[Begin Moreno recording] The country is not bankrupt. It has natural, human resources, assets, infrastructure, and investments. It seems to me making such claims is tantamount to prophesying doom. Those who bet on the credibility, competitiveness, and development of the country will have to put in play their best factors, imagination, and resources. Those who are effectively speculating on the country's bankruptcy are going to fail. [end recording]

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The issue of the exoneration of the Prosecutor General's Office regarding the accusation leveled against her by former Deputy Prosecutor Mario Ruiz Massieu resurfaced during this lengthy news conference. Moreno said the counter suit continues full force:

[Begin Moreno recording] This issue does not eliminate, of course, the harm inflicted upon my party due to the scandal and diffusion it was given; it is quite regrettable. It is good the investigations have led to the conclusion I have always held; that is, that it was untrue. [end recording]

The Federal District senator also affirmed the PRI's complete support for Tabasco Governor Roberto Madrazo Pintado.

Opposition Leader Against Privatizing Oil Industry

PA0601162995 Mexico City XEW Television Network in Spanish 0430 GMT 6 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] Cuauhtemoc Cardenas Solorzano, former presidential candidate of the Party of the Democratic Revolution, declared today that Mexico's oil industry must be neither privatized nor given as a franchise to private hands.

At a news conference in his office at Roma Colony, Mexico City, Mr. Cardenas stated:

[Begin Cardenas recording] It would not be acceptable for the government to deliver or hand out goods that represent the nation's strategic assets to foreign interests, which often are contrary to national interests. This would weaken the country's sovereignty and endanger the nation's security. [end recording]

Cardenas also said it would not be valid, either, to change constitutional norms to permit handing over Mexican Petroleum assets to overcome the country's economic crisis.

Editorial Urges Government To Oppose Privatization

PA0601163095 Mexico City LA JORNADA in Spanish 5 Jan 95 pp 1, 2

[Editorial: "In Defense of the Nation"]

[FBIS Translated Text] There are several factors in the current situation that are again giving rise to the idea, in the international financial community, that it be demanded that Mexico privatize and open the oil industry to foreign investors, even if only partially. Some indications prompt one to think that, in the heat of the severe difficulties of the present moment, certain government sectors look favorably upon the implementation of such a measure within the framework of economic decisions aimed at overcoming the emergency.

At a time when congressional control of U.S. foreign policy has been left in the hands of an old interventionist like Republican Senator Jesse Helms, there is the danger that pressure from Wall Street to denationalize Pemex [Mexican Petroleum] will receive active support from Capitol Hill. In view this circumstance, some Mexican officials could be updating previously foiled plans, drafted during the last six-year period, to sell off sections of Pemex.

The nation's ownership of Pemex is based on a profound consensus that cannot be ignored by determinations, vicissitudes, or economic emergencies. Much more powerful reasons like national security, sovereignty, and national viability made nationalization of the oil industry a must. To contravene the Pemex statute would be tantamount to placing Mexico in a very vulnerable position in the face of foreign interventionist pressures. It would also mean severely restricting our chances for development.

In other words, any attempt to make concessions to foreign private investors in the exploitation of the oil and petrochemical industry would create a serious division among Mexicans at a time when the country needs to be united to back joint projects to overcome the economic and political crisis.

Inefficiency, waste, and corruption continue in Pemex. Correcting these problems undoubtedly calls for remedial action, but it does not justify the selling of this parastatal industry. The Treasury certainly needs resources but selling Pemex or parts of the oil industry would only address the immediate problem. In the long run, it would deprive the state of an important source of revenues.

Within this context, it is urgent and indispensable that Mexicans concentrate their attention on defending our petroleum and that highest level of government express its opinion in order to forestall any speculation or machinations to place Pemex or parts of that parastatal industry in foreign hands. The patrimony, sovereignty, and independence of present and future Mexicans are at stake.

Zedillo Urges People To Turn Crisis Into Opportunity

PA0701143595 Mexico City XEW Television Network in Spanish 0430 GMT 7 Jan 95

[From the "24 Hours" Newscast]

[FBIS Translated Text] President Ernesto Zedillo said in Veracruz on 6 January that the country will turn the difficult economic situation into opportunities.

Speaking on the occasion of the 80th anniversary of the enactment of the Agrarian Law, President Zedillo said Mexicans will be able to respond to the economic emergency and work together to consolidate what has already been accomplished.

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[Begin Zedillo recording] This is the attitude Mexico demands of each of us; this is the attitude that country will find in each man and woman to guarantee that if we remain united, we will overcome the economic emergency. [end recording]

Before thousands of peasants gathered to receive land titles, President Zedillo said Mexicans have always been able to make progress, even in difficult times and in the face of difficult challenges.

[Begin Zedillo recording] Regardless of major obstacles and the most difficult challenges, we Mexicans have always known how to move forward, thanks to our unity. We have always moved forward thanks to the resolve of our men and women. [end recording]

This was President Zedillo's first visit to Veracruz State, and this agrarian event, which was held in Tejas ejido in Medellin de Bravo Municipality, was the first act of his administration to gather a crowd from all cities and communities in the state. He emphasized that united, we will take advantage of the economic situation we are facing and turn it into an opportunity.

[Begin Zedillo recording] We will take advantage of the new economic challenges to sell our products better. We will take advantage of the options offered by the trade agreements Mexico has signed. We will work together in a devoted fashion to turn the current adverse situation into the opportunities that Mexican peasants have rightly been demanding for a long time. [end recording]

During the event, President Zedillo delivered more than 10,000 land titles to Indian nationals [nacionaleros], ejido rights certificates, and urban lot titles in Veracruz. Meanwhile, more than 173,000 peasants from around the country also received their property titles. Earlier in Veracruz Port, the president had placed a floral wreath before the Venustiano Carranza Monument and stood as an honor guard.

Veracruz Governor Patricio Chirino, Agrarian Reform Secretary Miguel Limon Rojas, and Agriculture and Hydraulic Resources Secretary Arturo Warman accompanied Zedillo during his tour. President Zedillo returned to Mexico City on the afternoon of 6 January.

Agrarian Sector, Bank Association Join Economic Pact

PA0601161895 Mexico City XEW Television Network in Spanish 0430 GMT 6 Jan 95

[FBIS Translated Text] Today it was announced at a meeting of the Commission for Following-Up and Evaluating the Economic Pact [Comision de Seguimiento y Evaluacion del Pacto Economico] that representatives of the Permanent Agrarian Council and the Mexican Association of Banks are joining the Pact.

Banxico Announces Bond Program To Face Liquidity Problems

PA0701154695 Mexico City EL FINANCIERO in Spanish 5 Jan 95 p 4

[By Victor Gonzalez and Gerardo Flores]

[FBIS Translated Text] To avoid pressure on exchange and insolvency in the financial system, the Bank of Mexico [Banxico] will launch a bonds program to enable itself to handle withdrawals following the maturation of Tesobonos [Treasury Bonds]. Bonds worth $10.337 billion, 35.4 percent of the total to be paid in 1995, will become payable in the first quarter of this year.

The idea is to resolve liquidity problems through swaps. For this reason the new bonds will have long-term maturity dates. This is fundamental, experts have said, because at least 65 percent of the Mexican Government's domestic debt is with foreigners.

In December, for example, Tesobonos worth approximately $4 billion matured, and it was impossible to renegotiate their reinvestment in the country. That money left the country. This was a result of the economic uncertainty that had emerged.

Bank and exchange sector analysts have reported that Banxico could eventually use three types of bonds to face short, medium, and long deadlines.

Analysts said the first type would cover bonds payable during the first quarter which amount to $10.337 billion: $3.62 billion in January, $3.49 billion in February, and $3.227 billion in March.

The second type would prevent a $6.510 billion insolvency and would cover the second quarter of the year. These payable bonds represent 22.3 percent of the total for the year. They involve $1.849 billion in April; $2.723 billion in May; and $1.938 billion in June.

The third type of bond would serve to face long-term exchange pressure and the lack of liquidity. They would cover the second half of the year, which represents $12.313 billion, that is, 42.3 percent of the total.

Foreign brokers and analysts have said there are five options for facing payments due on maturity dates. These options include the use of the dollar, Tesobonos, Treasury Certificates [CETES], and the Federal Government Development Bonds instrument; to let supply and demand rule the exchange rate; and creating a future market for the peso.

Banxico affirmed that these options are indeed being analyzed but insisted it is seeking the best way to have longer term resources with which it would avoid illiquidity and pressure on the exchange market.

The exchange houses of Bancomer, Arka, Invex, and Bursametrica warned that the country cannot withstand

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another speculation onslaught and that credit and negotiated lines will be used to pay the liabilities that become due.

Chemical Bank analysts warned there is a possibility that bonds may not be paid in the first two months of the year when Tesobonos mature, despite the emergency assistance the financial international community provided. It is necessary, they noted, for authorities of the Finance and Public Credit Secretariat [SHCP] to use those resources "in a clear-cut fashion," and that the government specify the situation of the exchange rate and the terms and programs to be utilized in opening some enterprises and promoting the flow of foreign resources. The most important thing, they said, is to generate confidence and certainty in the future. The flotation of the peso cannot go beyond two months, and the exchange rate must end up, at the most, at 5 pesos to the dollar. Delaying those measures would only create higher speculation on the markets, they stated.

Some exchange houses explained that the swap program has not been fully defined yet. They also reported that the total amount of Tesebonos exceeds 29 billion, so they advised against "playing with uncertainty anymore or generating rumors that would disturb the country's economic life and deepen the crisis." They noted that in the Emergency Economic Program, investors, primarily from the United States, may pledge to make short-term investments in paper. Banxico reiterated that through these new mechanisms it seeks to offer attractive interest rates, denominated and payable in dollars, and guarantees in the view of the fluctuations in the exchange rate and the economy itself.

In addition, the "alleged" SHCP versions of the Emergency Program caused unease in the financial sector, because under the current circumstances, "we cannot go on playing with uncertainty and generating so many rumors," they explained. The SHCP, however, described those versions of the text in circulation as false and added that they differ substantially from the final text of the agreement.

It noted that the document was not distributed through the appropriate channels and therefore disallowed it. It stated that the one real version is the that which carries at the bottom the signatures of the representatives of the productive sectors and the president as witness.

Foreign Secretary To Request Economic Backing in Tokyo

PA0601150395 Mexico City XEW Television Network in Spanish 0430 GMT 6 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] Mexican Foreign Secretary Jose Angel Gurria will leave for Tokyo this weekend. He will ask Japanese bank and financial authorities to support the Mexican Government's economic emergency plan. He will explain Mexico's plan to fight the effects of the peso devaluation.

Jalisco Representatives Agree To Back Emergency Plan

PA0601164995 Mexico City Radio ACIR Network in Spanish 0000 GMT 6 Jan 95

[FBIS Translated Text] The first regional agreement in support of the Agreement of Unity To Overcome the Economic Emergency, proposed by President Ernesto Zedillo last Tuesday, was signed at the residence of Jalisco Governor Carlos Rivera Perez after two hours of debate. Producers in Jalisco, Mexico's second most productive state, after the valley of Mexico—not just the Federal District but urban Naucalpan and Tlanepantla, too—have warned that the new pact must still be modified to guarantee the survival of enterprises and workers.

Guadalajara businessmen said yesterday that the agreement fails to satisfy the leader of the ruling party's peasant sector and the leaders of Jalisco's leading management organizations. For instance, Eleazar Ayala Rodriguez, leader of Jalisco's League of Agricultural Communities, a member of the National Peasant Confederation, visibly upset, said his organization proposed that the agreement include stringent measures against businessmen who speculate and additional bonuses for farmers whose production exceeds certain levels. Ayala said that the 5 percent proposed in the emergency program to reinforce Procampo [Program of Direct Support to the Countryside] is meaningless for farmers and producers in Jalisco. But Ayala expressed mistrust that their position will be listened to. He said the proposal was just another excuse. Using direct language that cannot be repeated over the airwaves, Ayala said: We are not satisfied with the signing of this pact, but we cannot remain isolated, either. Our only chance is to seek unity in view of the emergency that the entire country is experiencing.

In addition, Jorge Corvera Gibson, president of the Jalisco Management Center, said the trouble lies with 30 or 40 items that deal with lowering interest rates, even at the price of seeing a speculative capital flight, removing taxes from assets and payrolls, and reducing current spending, not disbursing of investments.

Leopoldo Montelongo, leader of the state's industrial chambers, submitted a document detailing four specific proposals to be included in the new agreement. He had said that industrialists would refuse to sign until the management sector's proposals were included in the agreement. He had also said, however, that the organization he leads, the Council of Industrial Chambers, could not but participate in the dialogue with the government. Anyway, he said, there are more chances of changing something from within than by just saying: I pull out and stand apart because I disagree.

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This is how, reluctantly, this first unity agreement was signed after the national agreement was presented by Zedillo on Tuesday. All this has elicited tremendous economic and political commotion in Jalisco, particularly in Guadalajara. On one hand, Jalisco businessmen have conditioned their adherence to the emergency agreement. On the other, residents of the state, who number more than 3 million, prepare for the 12 February elections, where they will elect a governor, deputies, and mayors of 124 municipalities. Everyone understands that these two facts are closely related. These elections in Jalisco will be the first after the economic emergency.

The latter, of course, will have repercussions in the elections. This is true to the extent that an opinion poll conducted by Guadalajara University has predicted that National Action Party [PAN] and its candidate for governor, Alberto Cardenas Jimenez, could make Jalisco the fourth state to be governed by the opposition. Institutional Revolutionary Party [PRI] candidate Eugenio Ruiz Orozco knows this. According to the opinion poll mentioned above, which was conducted 27-28 December—the poll's reliability has been reported as 96 percent—if the elections had been held at the time of the poll, PAN would have received 55.9 percent of the vote and PRI 24 percent. In other words, PAN would have defeated PRI by more than 2:1.

Of course, the PRI people say the poll results were distorted and that the poll is not reliable. But these results do not make PAN overconfident, candidate Cardenas has said. He has already announced a pluralist government and said that he would give the appoint the PRI minority in Jalisco to the Attorney General's Office, the comptrollership, and the Jalisco Congress principal accounting office. In addition, PRI leader Ruiz Orozco has advised that his party's electoral outlook is not as serious as the poll seems to indicate. He has said that the true opinion poll will come during the 12 February elections.

The opinion poll also reveals that 84.2 percent of registered voters will indeed cast their votes on 12 February; 5.5 percent say they are still undecided. If the poll's predictions come true, more than 80 percent of the able voters would cast their votes, a record that could exceed even that established in the 21 August general elections. Certain PRI sectors in Jalisco have said that the university poll has been manipulated.

Coparmex President Wants Immediate Government Action

PA0601164395 Mexico City Canal 13 Television Azteca Network in Spanish 1300 GMT 6 Jan 95

[Report by Genaro Segura; from the "Early Morning" newscast; statements within quotation marks are recorded]

[FBIS Translated Text] [Segura] For Antonio Sanchez Diaz de Rivera, president of Coparmex [Employers Confederation of the Mexican Republic], the Agreement of Unity to Overcome the Economic Emergency is positive, yet at the same time confusing. In order for the agreement implementation to be effective he said that it is necessary to specify its contents.

[Sanchez] "1) Explain the content and scope of some of the accords. 2) Demand the immediate fulfillment of the government's commitments to create the legal and economic conditions that will ensure the survival of private enterprise. 3) Recognize the political aspect of the crisis and deal with it."

[Segura] After recognizing the general responsibility of all sectors, including the management sector, for the crisis, the Coparmex president refused to assign any specific blame.

[Sanchez] "I believe the tendency to seek out someone to blame and point out one or two guilty parties is far too superficial."

[Segura] From now on, he added, efficiency and productivity must prevail. For this, we must reduce bureaucracy and encourage administrative modernization within the federal government.

[Sanchez] "The business sector must improve productivity levels, and the Federal Government must fulfill its commitments to reducing government expenditures. The business sector's commitment is to moderate its price increases. Given the fact that we are facing an economic emergency plan, the federal government must comply with the agreements and meet its commitments immediately."

[Segura] The agreement will fail unless the appropriate conditions for improving democracy are in place nationwide.

[Sanchez] "The Mexican community can no longer tolerate any more resentful or ski-masked politicians."

[Segura] The idea is to face the economic problems without implementing the same old long-term recovery mechanisms. Antonio Sanchez Diaz de Rivera said that the goal to see encouraging signs in December is not to run the country's economic crisis movie over and over for the rest of the year.

Further on Sanchez Statements

PA0801020295 Mexico City LA JORNADA in Spanish 6 Jan 95 p 41

[Report by Roberto Gonzalez Amador]

[FBIS Translated Text] Antonio Sanchez Diaz de Rivera, president of the Employers Confederation of the Mexican Republic, one of the management organizations that has endorsed the Economic Emergency Program announced by the government on 3 January, has

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said the country's enterprises have passed from the optimistic plans drafted in 1994 to "a situation of mere survival."

First, the country's new economic reality has eliminated the possibility of creating more jobs in 1995. "We will have a good year if we succeed in preventing the loss of jobs," he has said.

He has said in a news conference the management sector will take it for granted the government has broken the terms of the agreement if higher taxes are announced during the special sessions of Congress, where the economic policy for 1995 will be defined.

He has said management refused to accept any tax increases during this week's negotiations with labor unions and the government. The negotiations concluded with an Agreement of Unity To Overcome the Economic Emergency, which sets a ceiling on workers' salaries. A minimum wage will be directly raised by 7 percent, taking into consideration an expected 16-percent inflation rate.

He has said the management sector would sign only if taxes are not raised. For this reason, he has said, the government's goal of increasing revenue by increasing tax collection should be based on a simpler tax system and a broader taxable basis.

Sanchez declined during the news conference to name those responsible for the new economic crisis in the country, saying "the 85 million Mexican people are responsible." Nevertheless, he has said the devaluation of the peso "was handled poorly."

Regarding the growing unrest the agreement scheme has elicited in industrialists and workers, Sanchez has said the agreement signed on 3 January "could not satisfy anyone due to the difficult situation in the country, but this point is the most adequate way to confront the situation, because a better agreement has now been reached, and we did not sign everything the government proposed."

He has said optimistically he hopes the economic emergency can be cleared "in one year at the latest." He has said in the commitment made, "which involves a sacrifice both for management and labor," all of the production sectors "yielded something" with the idea "we would have to go through only one portion, not all, of the economic sacrifice we experienced in the past." He added: "Either we apply a bitter remedy or be condemned to suffer a brutal recession. We are in a recession now, but it is not a brutal one."

He added the adjustment program should be short in duration to preclude greater social unrest. "We are aware of the country's unrest, but it is necessary to resolve the crisis soon; otherwise, demagogues will try to take political advantage of the unrest."

Sanchez has said it is impossible to speak of failure of the economic model imposed in the country in the most recent decade despite the economic difficulties. He has said "certain deficiencies must be corrected, but the idea is not to reshuffle everything and to start from scratch."

According to him, some of the aspects that need to be modified include not betting on the entry of speculation capital into the country as a growth determining factor. Local savings should be stimulated instead so the development model can be based on productive investment.

Sanchez concluded it is necessary for the government to support and rescue enterprises which have exporting potential and which have experienced periods of crisis so far, as is happening in the textile, footwear, and paper manufacturing industries. Nevertheless, he has demanded the government define its exchange policy for the near future and clarify whether the peso will continue to float so management personnel can plan the development of their businesses and steer them toward foreign trade.

Business Council President on Emergency Economic Accord

PA0801042395 Mexico City LA JORNADA in Spanish 6 Jan 95 p 41

[Report by Andrea Becerril]

[FBIS Translated Text] Luis German Carcoba, president of the Business Coordinating Council (CCE) acknowledged that members of that association are not satisfied with and are reluctant to comply with the collective Agreement of Unity To Overcome the Economic Emergency. He said they believe bankers have not assumed a specific commitment regarding the overdue portfolio and the obvious increase in interest rates.

He added businessmen are facing a difficult situation, considering the debt in dollars of the private sector, particularly of large enterprises, totals $45 billion, which represents 10 percent of the banks' overdue portfolio.

Nevertheless, he said, the private sector will comply with the agreement and is already trying to convince businessmen, particularly the small- and medium-size entrepreneurs who are the most affected by the devaluation, of the need to support the agreement.

Carcoba said Jalisco industrialists, who were reluctant to sign the agreement, were finally convinced to do so yesterday, with the promise that Jose Madariaga Lomelin, president of the Mexican Banking Association, will be in Guadalajara next week to discuss quicker and more effective mechanisms for the banks' participation in finding a solution to the problem of the overdue portfolio and high interest rates.

During a news conference that Labor Secretary Santiago Onate and sector representatives granted after the meeting of the Commission for Evaluating the Pact for

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Well-Being, Stability, and Growth (Pacbec), Carcoba said the main argument Jalisco industrialists are using is that banks have not really assumed any commitment. For example, he said, it is fundamental to make current mechanisms more efficient in order to restructure overdue portfolios.

Carcoba said he is fully aware that businessmen nationwide, particularly of small and medium-size enterprises, "are seriously affected and that the current situation has increased their level of concern and dissatisfaction."

"We are going to have to face the current circumstances with creativity but also with calmness. We are already working in that direction, and I am certain we will find solutions among all businessmen, including those who are not members of our association," he added.

He said yesterday "we clearly and emphatically stated our views before the rest of the Commission. The business sector will comply with the agreement. We must find the necessary mechanisms, and we are working on it, trying to convince everyone it is necessary and convenient to act intelligently, supporting the agreement."

Workers Confederation Meets on Negotiating Wage Increases

PA0601234495 Mexico City LA JORNADA in Spanish 5 Jan 95 p 11

[Report by Andrae Becerril]

[FBIS Translated Text] At a national leaders meeting, which was headed by Fidel Velasquez, the CTM [Confederation of Mexican Workers] left it up to its 11,000 unions to negotiate wage increases for productivity incentives of up to 15 percent when they review their collective contracts.

CTM Education Secretary Juan S. Millan has said it is fundamental that the Agreement of Unity To Overcome the Economic Emergency be fully respected and that the Labor and Social Welfare Secretariat not try to "step in" and intervene in the negotiations between companies and unions.

At the closed-door meeting, Fidel Velasquez told the leaders one of the points the leaders of the Labor Congress (CT) had fought for the most at the negotiations with the businessmen on 2 January was that the agreement specify that productive incentives would be freely negotiated in addition to the 4 percent as a base for the contract revisions. Those incentives could provide increases of up to 15 percent according to the economic possibility of each firm.

Javier Pineda Serino, CTM labor and conflicts secretary, said in this respect each leader has the responsibility of fighting for the highest possible increase based on productivity.

Those who accept only the 4 percent increase are either unqualified or are irresponsible or corrupt, because labor leaders have fought "practically all night" to get the final document to specify that increases for productivity incentives could be freely negotiated.

Separately, Millan said yesterday's meeting had been relevant, because the CTM leaders agreed to struggle to get an additional income for the workers without endangering the sources of employment.

He specified that more than 50 percent are small or medium-sized companies which provide more than 60 percent of the total jobs and which are facing the most difficult situation. That point is why free negotiations between the employers' representatives and the workers, without interference from the Labor Secretariat to impose a ceiling, is the only way to improve workers' salaries without endangering the employment sources, Millan added.

If the intention is to continue freezing salaries with more rigid policies, the situation will worsen, because the majority of workers cannot endure any more austerity.

Millan said another factor is real price control, and the CTM has already begun to study in that sense the price variations in products that make up the basic family basket.

Millan said the CTM will insist on a new income/expenses survey reflecting the real situation of the workers and a realistic pondering of the contents of the family basket, given a large part of the 302 articles that constitute the family basket have no impact on the consumers.

En route to his office following the meeting, Fidel Velasquez said briefly he believed government officials would stop the price escalation that occurred recently following the announcement of the devaluation of the peso, because that is one of the commitments in the Agreement of Unity To Overcome the Economic Emergency.

Economic Program Fails To Fully Please Business

PA0601151995 Mexico City REFORMA in Spanish 5 Jan 95 p 29A

[Report by Armando Gasca; passages within italics as published]

[FBIS Translated Text] The private sector on 4 January spent a day of confusion due to the recent economic events. Some business organizations said that the recent Agreement of Unity to Overcome the Economic Emergency failed to fully please them.

The National Association of Manufacturers [Canacintra] affirmed that the agreement failed to fully please anyone, because every one must make a sacrifice, thus implying we all must restrain our aspirations and interests. It said: "we are dealing with an intense adjustment program encompassing major social and production costs that we all must share to overcome the existing difficulties."

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The organization that Victor Manuel Terrones heads pointed out that 1995 will be a very difficult year for the operation of the production industry, and this is why he demanded the resumption of the debate on the industrial policies required to modernize the country.

Canacintra added it knew that trying to implement a gradual adjustment program meant postponing the aspirations for jobs and growth and the social improvement of workers and businessmen.

Meanwhile, Fernando Cortina Legarreta, president of Concamin [Confederation of Industrial Associations], reported that industrialists and authorities are currently working on the drafting of a work schedule for the adjustments needed in the industrial branches following the devaluation.

"We and Secofi [Commerce and Industrial Development Secretariat] are working hand in hand to seek solutions for the many industrial branches; at this time, we lack a definite plan of action. We are working only on a work schedule," Cortina explained.

He, however, considered that the industrialists' work plan drafted along with the Mexican Banking Association to face the economic emergency is more definite. This plan will increase the work on matters of financing and expired portfolios. "We are working along with bankers," the Concamin head added, "to ensure that businesses will not run out of cash flows or be left with their liabilities in dollars; in addition, we are working on matters of financing and expired portfolios."

Finally, the industrialist underscored that given the current situation, rumors hurt Mexico the most and urged people not to heed them.

Moreover, the industrial sector said nothing about the two versions of the Agreement of Unity to Overcome the Economic Emergency. Business representatives either refused to or could not answer the question. A source who asked to remain anonymous explained that the federal government attended the discussions held by the Labor and Social Welfare Secretariat on the morning of 2 January brandishing the version entitled *Agreement for Unity to Overcome the Economic Emergency* [previous eight words published in English].

"That was the version handed out to foreigners, but obviously it was not the version we signed," the source maintained.

The doubts business organizations have are expected to be dispelled today, as financial authorities last night made public the updated economic goals for the current year.

Possible 'Collapse' of Banks Assessed

PA0601161295 Mexico City EL FINANCIERO in Spanish 5 Jan 95 p 8

[Article by Marcos Chavez M.: "The 'Phantom' of Bankruptcy is Stalking Important Mexican Banks"]

[FBIS Translated Text] Commercial banking, the hub of the Mexican financial system, has started its most critical phase since reprivatization, and this could eventually unleash a crisis and provoke a technical collapse of the weakest financial institutions. This is the conclusion of an investigation conducted by EL FINANCIERO. It, however, believes that the crisis would not be similar to the one experienced by Venezuela.

With the exchange rate adjustment, the liabilities in foreign currency of the 17 most important banks of the system increased by 47 percent in devaluated new pesos. In fact, according to figures of the National Banking Commission [CNB], the difference between assets and liabilities in dollars resulted in a loss for such institutions of 3.176 billion new pesos, about $635 million. The most affected banks are Banamex [National Bank of Mexico], Comermex [expansion unknown], Serfin [expansion unknown], and others that run the risk of bankruptcy include Banco de Oriente, Banpais [expansion unknown], International Bank, and Banco Obrero [Labor Bank].

The devaluation will increase the banks' overdue portfolio whose average index will rise from 9.5 to little more than 10 percent. Thus, the total net overdue portfolio of the sector would go from 41 billion new pesos to little more than 44 billion new pesos. This coefficient would be higher if we take into acccount problems with liquidity and with payments from credit holders due to a real deterioration of the revenues of the population and an expected slowing down of the economy and of company revenues.

In this regard, come March, net overdue credits of the system could increase by another 39 percent in comparison to last year and reach about 50 billion new pesos, that is, they will increase by an additional 14 billion.

Banking will be among the sectors most affected by the devaluation, financial instability, and costs associated with the emergency program. This situation, however, could be partially compensated for through ample financial opportunities, because this sector was not among the signatories of the new economic "pact," and thus, it will be able to transfer some of its problems to the rest of society and the productive apparatus.

Suddenly, with the exchange adjustment, banking sector liabilities in foreign currency registered in September 1993 increased by an equivalent amount in local currency. At that time, the foreign debt of the 17 oldest banks totaled $29.746 billion, that is, 101.256 billion pesos (exchange rate of 3.4040 pesos per dollar). At an exchange rate of 5 pesos per dollar, their debt in national currency increased to 47 billion and 63 billion, that is, a 47 percent increase.

Although their assets in dollars also revalued, the balance of their net position (assets minus liabilities) reflects a loss of 3.176 billion pesos, about $635 million. The most affected financial institutions are Banamex, Serfin,

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Commermex, and Internacional Bank. In the cases of the last three, their already high coefficient of overdue portfolio (total credit portfolio that excludes discounts from overdue loans) will increase, especially those in foreign currency that for the reference month was 33.9, 20.5, and 47.5 percent, respectively.

Regarding bank profits in September, before the payment of taxes and distribution of profits—which totaled 7.248 billion pesos—the loss in the exchange rate represented 43.2 percent of the total. From this perspective, the most affected institutions are Banco Mexicano, Copermex, Probursa, Banco Internacional, Banco del Centro, Promex, and Banco del Oriente, where the shortfalls are greater than the profits.

But the difficulties of the banks are not limited exclusively to the exchange rate fluctuation and the expectation of new hikes in foreign interest rates, which will increase the cost of their international funding.

In addition, one must add the doubling of domestic interest rates which will have a further impact on the costly funding and, therefore, the servicing of credits granted recently and those that will be requested in the future.

The increase in the cost of funding will be most perceived by 12 banks, whose receipts are complemented with the secondary market, where average rates are above 30 percent. In other words, said rates are 100 percent higher than one month ago. Also the bank receipts will be reduced in light of the reduction in the savings capacity of businesses and society.

In the meantime, the bank customers' capacity to pay will be curtailed, because it will be hit by the hike in the cost of credit—in early December, the average cost of money was 30 percent and it currently stands at 52 percent—the erosion in their real income given an inflation estimated at 15-20 percent in 1995, and the modest salary increases decreed by the government. Banks will only receive 4 percent in additional cash flows.

Data from the CNB show that credits for housing and consumption account for 31 percent of the total existing portfolio, which, for financial institutions such as Banamex, Bancomer, Promex, and Banco Obrero exceed 40 percent. These will be two of the hardest-hit areas.

Simultaneously, businesses will experience an increase in their production costs stemming from the devaluation, the doubling of the price of credit, higher inflation, and the reduction in their sales and income, which will affect their liquidity and payment capacity.

The consequences of the existing situation, which is very complex, will be unmeasurable; higher operation costs and overdue bank portfolios; high interests and lower financing for the economy and consumers; the need to expand cash reserves to cover onerous costs and observe the required levels of capitalization; and a decline in net profits. Some banks have even informed their stockholders to forget about the distribution of profits for some years or have told them, plainly, that losses were registered at least for the present quarter.

BANKS AFFECTED BY THE DEVALUATION

Data stated in million of September 1994 new pesos

Net position before devaluation*		Net position after devaluation***		Decline	
	Dollars**	NP	NP	NP	Dols
TOTAL	-1990.1	-6774.2	-9950.4	-3176.2	-635.2
Banamex	-888.8	-3025.6	-4444.2	-1418.6	-283.7
Bancomer	-76.0	-258.8	-380.1	-121.3	-24.3
Serfin	-44.5	-151.5	-222.5	-71.0	-14.2
Comermex	-1400.7	-4768.1	-7003.7	-2235.6	-447.1
Internal	-627.4	-2135.7	-3138.0	-1001.3	-200.3
MProbursa	-59.5	-202.7	-297.7	-95.0	-19.0
Promex	-151.5	-515.6	-757.3	-241.7	-48.3
MNorte	-86.8	-295.3	-433.8	-138.5	-27.7
Confia	-1.6	-5.3	-7.8	-2.5	-0.5
Oriente	-29.5	-100.5	-147.6	-47.1	-9.4

*Difference between total assets and total liabilities stated in foreign currency

**Used exchange rate: 3.40 new pesos to the dollar

***Used exchange rate: 5.00 new pesos to the dollar

Source: Prepared with data provided by the CNB

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Cardenas Wants Government Renovation or Zedillo Resignation

PA0701203295 Hamburg DPA in Spanish 1856 GMT 7 Jan 95

[FBIS Translated Text] Mexico City, 7 Jan (DPA)—Cuauthemoc Cardenas, leader of the Mexican leftist opposition, today proposed that either the government be completely renovated with representatives of all political sectors or that President Ernesto Zedillo step down so a "national salvation government" can be created.

In a document published by local newspapers, Cardenas, former Party of the Democratic Revolution [PRD] presidential candidate in the 21 August elections, also proposed a program to deal with the economic crisis that broke out in the country on Christmas Eve.

Among other measures, Cardenas proposes to refinance the foreign debt with the international financial community and negotiate a moratorium on interest payments on the debt, saying that Mexico will be unable to meet its foreign financial obligations this year.

He also proposes to renegotiate all international commercial agreements, including NAFTA, "to make them conform to national interests and the country's economic emergency situation."

Cardenas' proposal includes an emergency salary raise to offset the inflation caused by the devaluation; control of staple prices; lower interest rates; and higher taxes on sumptuary goods and capital earnings.

Harshly criticizing the "neoliberal policy" of the past 12 years, Cardenas said the model implemented by the governments of Miguel de la Madrid (1982-1988) and Carlos Salinas de Gortari (1988-1994) has brought about "repeated crises" that translate into devaluation, inflation, and economic stagnation, which is what has happened.

He added that De la Madrid and Salinas de Gortari, who are responsible for the policies that have impoverished a majority of Mexicans, "should be held accountable and given the corresponding political and criminal penalties."

According to Cardenas, President Zedillo, as a member of the previous administrations' economic teams, is not only co-responsible for the consequences of these policies, but his plan to face the crisis "does nothing but repeat the mistakes" of his predecessors.

"People cannot be asked to accept and tolerate (another) six years of restrictions, shortages, drops in the standard of living, deterioration of social services, unemployment, disease, and hunger," Cardenas maintained.

He doubted that the Zedillo administration would be able to honor this year's debt commitments with the $6 billion in reserves and the $18-billion aid package the United States, Canada, and international banks pledged to support his stabilization plan.

Cardenas recalled that this year Mexico will have to pay $6 billion of the debt it renegotiated in 1992 and some $29 billion worth of debt acquired through the so-called Tesobonos [Treasury Bonds].

He added that should the government fail to get the $35 billion it requires to honor these commitments and finance the trade deficit, the dollar could reach seven or eight pesos by mid-1995. The current exchange rate is six pesos to the dollar.

The opposition leader disapproved of the new privatization process, especially the alienation of the oil industry, which his father, President Lazaro Cardenas, nationalized in 1938. Privatizing this industry, he said, would constitute "high treason."

Finally, he said that Zedillo will be unable to resolve this economic problem unless he activates the democratization of the country. Only a pluralistic "national salvation" government that can get the country out of the crisis and embark on a profound democratic reform will be able to take on this challenge, Cardenas concluded.

IMF Director Views Prospects for Economic Recovery

PA0701161195 Mexico City XEW Television Network in Spanish 0430 GMT 7 Jan 95

[Interview with IMF Director Michel Camdessus by Yolanda Sanchez in Washington, D.C. on 6 January; from the "24 Hours" newscast—recorded]

[FBIS Translated Text] [Sanchez] Mr. Camdessus, what was the most important issue you discussed at your meeting with Mexican Finance Secretary Guillermo Ortiz?

[Camdessus] [Words indistinct] my friend, but we had major issues to discuss. Mr. Ortiz carefully explained to me the intentions of the Mexican Government for facing the existing crisis, let us say, to instill trust in the financial markets. I listened attentively to what Secretary Ortiz had to say. I can tell you that I was so impressed that I immediately decided to inform the international community, through statements that you have probably already read, of my positive reaction to these intentions and of my decision to immediately—in the first days of the following week—send a team of IMF experts to discuss with the government the details of all these measures that could quickly lead the IMF to grant a financial support program to Mexico. I trust we will be able to make this decision quickly, because your government is responding appropriately to the existing crisis.

[Sanchez] Mexico is receiving an emergency aid package. Will the studies being conducted be added to this package, or are they part of the package?

[Camdessus] No, they will be added to this emergency aid package, but I can tell you that I am impressed by the international community's quick response, which is another indication of the trust of all those who have

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access to Mexican accounts and of the quality of the program that President Ernesto Zedillo's administration is contemplating.

[Sanchez] If one reads U.S. newspapers, one realizes there is a variety of opinions on the issue and that investors are still hesitating to invest in Mexico. What could the IMF say about that?

[Camdessus] We could say that when there is a crisis of trust, it is common for investors to be rather hesitant and prudent and to request explanations. It seems that the Mexican Government is indeed giving explanations, and, more than that, it is making decisions and reacting quickly. That is the right thing to do.

We at the IMF believe the support already pledged by the international community is unprecedented. To this stage, this support will facilitate our task, and as we join efforts, we will add our financing of the balance of payments as a contribution to the central bank system. In addition, commercial banks must quickly contribute to helping Mexico regain trust.

[Sanchez] Are we talking about a $19-billion aid package? How much is the package worth?

[Camdessus] The package that was announced amounts to $18 billion, to which we will add what the IMF could contribute. We must discuss this aid with authorities. We will do our best. I believe that in view of this situation and as far as the government continues to count on the support of the entire national community, this aid would allow your country to regain trust and stability and retake the path of sustainable growth it urgently requires.

[Sanchez] Does the IMF still have to determine the amount of its contribution?

[Camdessus] No, we will make this decision by late January [words indistinct], but I can tell you that this time, as on previous occasions, the IMF will do its best. We see today's Mexico as better than the Mexico of 1982 or 1988, to which we offered our decisive support. We will do the same this time. We believe that doing the same thing as before will constitute another success for your country. I trust that the measures Mexico will take in the financial and monetary field, within the framework of the pact, and in the balance of payments arena will make your country take an even stronger position than the one it took a few months ago.

[Sanchez] Our previous crises were severe. How much time do you think Mexico will need to recover from this one?

[Camdessus] It could recover quickly. I repeat: today's Mexico is not the Mexico of 1982. Mexico does not have to profoundly change its structures. Mexico is not facing a [word indistinct] crisis; it is a crisis of trust that is taking place during a transitional period. Thanks to the steps Mexico is taking and to the impressive support of the international community, this situation could be solved quickly as long as the government perseveres in the steps it is currently taking. This situation could be a nightmare that will last only a few months.

[Sanchez] How long is quickly; one year, less than a year?

[Camdessus] The program we are promoting is a one-year program, and I believe things will have to improve within that year.

[Sanchez] Thank you very much. Let us hope we have good prospects.

[Camdessus] I hope so; that is the way it must be.

[Sanchez] Thank you.

Zapatists Extend Truce, Reiterate Conditions for Peace

PA0701140095 Mexico City XEW Television Network in Spanish 0430 GMT 7 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] The Zapatist National Liberation Army [EZLN] announced this Friday evening that it has decided to suspend all offensive military operations from 7 to 12 January this year.

The armed group ratified its conditions for a stable peace that would lead to a serious and true dialogue. The conditions are:

1. A solution to the postelection conflicts in Tabasco, Veracruz, and Chiapas that will satisfy the parties involved;

2. Acknowledgment of the government of transition to democracy in Chiapas; and

3. Acknowledgment of the National Mediation Commission [Conai].

The document states that only the third condition has been met. The armed group reiterates its willingness to secure these conditions for a stable peace to make a new dialogue possible.

The document was delivered at a San Cristobal de las Casas hotel by a Conai delegate.

Government Responds to Truce Extension

PA0701144695 Mexico City XEW Television Network in Spanish 0430 GMT 7 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] At 2250 this evening, 15 minutes ago, the Government Secretariat issued a lengthy bulletin. I will read excerpts:

The executive branch, through the Government Secretariat, has learned with pleasure of the Zapatist National Liberation Army's [EZLN] decision to extend until 12

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January its position not to make any offensive move under the terms established in its communique of 30 December 1994.

In line with the many decisions and actions that have been adopted, and in order to contribute to detente in the area, the president of the republic today ordered the Mexican Army to withdraw from Sabanilla Municipality and to suspend the military helicopter flights that were taking supplies to troops in the area.

Page two begins this way: The federal government once again confirms its position in favor of peace and dialogue and that the Mexican Army will not carry out any kind of offensive action. The document adds: The effort for peace has been intense and continuous.

Page three states that on 1 January the Government Secretariat issued a bulletin. It reiterates the federal government's commitment to peace and grants primary importance to the Indian situation. The Government Secretariat reports that it has held five meetings with various National Mediation Commission [Conai] members to inform the EZLN of the government's disposition in favor of a dialogue and negotiations with an open agenda and with specific commitments.

The last paragraph of this bulletin, identified as bulletin 005-95, states: The federal executive branch has not halted efforts to find a solution to the Chiapas conflict through dialogue and negotiation; it has presented Conai with several proposals for the EZLN's consideration so they may immediately initiate a dialogue.

Police, Leftist Demonstrators Clash in Tapachula, Chiapas

PA0701030295 Hamburg DPA in Spanish 0146 GMT 7 Jan 95

[FBIS Translated Text] Mexico City, 6 Jan (DPA)—More than 50 people were injured during a clash today between policemen and leftist demonstrators in Tapachula, located in the conflictive state of Chiapas, the public security directorate in Tapachula has reported.

A Mexico City radio station reported the disturbances began after police repressed a demonstration organized by a coalition of workers, peasants, and students whose members tried to seize the city hall in Tapachula, a town located on the border with Guatemala.

Municipal Police Director Ernesto Macotela reported four people, two of them Central Americans who carried fragmentation grenades like those used by the military, were arrested during the clash. Fifty people were slightly injured by the rocks and sticks that were thrown as well as by tear gas.

According to the radio station, Macotela requested the intervention of the Mexican Army after other disturbances began in downtown Tapachula, where groups of unidentified individuals were looting businesses.

The demonstrators were demanding the resignation of Chiapas Governor Eduardo Robledo who assumed office on 8 December amid protests over the alleged fraudulent nature of his election.

Robledo's resignation is also the main demand of the Zapatist National Liberation Army (EZLN) to resume talks with the government, which have been interrupted since mid-1994, in the search for a peaceful solution to the armed conflict that began one year ago in Chiapas State.

Chiapas Governor Announces State Economic Emergency Program

PA0701020595 Mexico City UNOMASUNO in Spanish 6 Jan 95 p 7

[Report by Betzy Villarreal Rodas]

[FBIS Translated Text] Tuxtla Gutierrez, Chiapas, 5 Jan—The government of Chiapas announced today 11 measures of the State Economic Emergency Program that will work in concert with the one announced by President Ernesto Zedillo Ponce de Leon.

Governor Eduardo Robledo Rincon met with the state follow-up and evaluation commission for the Welfare, Stability, and Development Pact and representatives of the business, labor, and private sectors to determine the measures that are to be implemented as soon as possible to further the state economic recovery.

Robledo announced they will expedite the assessment of the state's regulatory framework so as to boost business activities.

Likewise, he said an intersectoral commission will be established so it can prepare a program within a 30-day period to deregulate fiscal activities for the newly established firms.

"My government will spend whatever is necessary and will do so in Chiapas. It will contract services and purchase products from firms in Chiapas," Robledo said this afternoon during a meeting with representatives of the private, business, and labor sectors in the state.

He said they will give priority to the marginal areas and to projects requiring more manpower. Likewise, they will take advantage of the provisions of the Secas Agreement and will promote training of peasants and workers in the state.

Robledo added they will back social groups, private producers, and small and medium-size businessmen within the state's economic restrictions to allow them to have the best credit support available.

Among the other measures in the 11 points, the governor announced state employment will be protected but not by accepting inefficiencies, because that would be more

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costly in the long run. He said, however, no additional positions will be eliminated during the current administration.

He said on the fourth point the state budget will be reorganized to benefit productive spending, a measure which will prompt well-being in the state. This government has to be one of permanent service and attention to the people, and these characteristics do not require lavish works, exorbitant expenses, or objectionable employees, the governor said.

Chiapas Dialogue Commission Issues Statement

PA0701234895 Mexico City EL FINANCIERO in Spanish 6 Jan 95 p 17

[Statement by the Legislative Commission for Dialogue and Mediation in Chiapas State issued in Mexico City on 5 January]

[FBIS Translated Text] The peace missing from Chiapas continues to be only a yearning, a demand, and an issue of national interest slightly more than one year after the armed uprising took place in that region. We have been unable to make it a reality.

The situation in Chiapas reportedly had the following sequence until one month ago: First came the war, then came the unilateral cease-fire, immediately followed by the agreed upon truce and the dialogue. The talks were interrupted later, and the response was considered insufficient. These events led to the statement on the conclusion of the dialogue, the breaking of the truce, the disappearance of buffer zones, and the remobilization of the armies. The war threatened to return, and the 1 January 1994 ghost reappeared.

What Has Prevented the Return of the War?

A different and dynamic attitude has effectively contributed to the goal of making peace possible in Chiapas. The following tangible facts attest to it:

1. The efforts made by civilian society, which has created favorable conditions for the process by insistently demanding peace;

2. The new federal offer by the executive branch to hold talks, whose main characteristic is promoting an agenda as broad as the parties' willingness to hold a dialogue;

3. The executive branch's recognition of the National Mediation Commission (Conai) as a mediating body;

4. The appointment of and acceptance by the Government Secretariat as the executive branch's representative in the new process;

5. The reestablishment of a temporary truce by the Zapatist National Liberation Army (EZLN);

6. The maturity and wisdom shown by both the Mexican Army and the EZLN to avoid war actions. This attitude has allowed the deactivation of the military dynamics, which was increased in late December;

7. The end of the fast carried out by the Conai president to make the previous fact possible; and

8. The creation of the legislative chambers' Commission for Dialogue and Mediation as a pluralistic and republican body with national representation, incorporating a novel element into the solution of the conflict and including possibilities of making significant contributions to the core of the problem.

Why and For What Was the Commission for Dialogue and Conciliations Created?

I. The Commission has emerged due to the need to search for a change in the situation that prevailed in Chiapas until the first half of December. The congressional chambers substantially modified, extended, and improved the federal executive branch's initial proposal: It became a legislative commission from a commission consisting of parties; it became a commission for dialogue and conciliation from a mediating commission.

II. The Commission, which is a pluralistic, partisan, popular, and republican commission, is, before anything else, the result of the political representation of society to aid the Chiapas peace process. Those who are part of the Commission made a high commitment with Mexico and the peace of the republic. We need to stress it: the Commission is making an effort of loyalty to Mexico and is not subordinate to the interests of the parties.

III. The Commission has acted wisely, because it understands its objective is to favor the dialogue, not to hinder it. This understanding has allowed the Commission to initially move in conditions respectful of the two main protagonists of the process: the Government Secretariat and Conai. In addition, thanks to this attitude, the creation of the Commission allowed us to prompt a change in the situation Chiapas was experiencing. In short, there are new attitudes, proposals, intentions, and encouraging signs making us face a renewed peace process. We must state, however, the causes that have triggered the conflict still exist although things have changed in Chiapas. They are now worsened by a new political and economic reality that makes the search for the desired peace, which is a condition needed to immediately begin implementing the profound reforms the people of Chiapas are demanding, more urgent.

Actions

The Commission for Dialogue and Mediation, fully aware of the Mexican people's serious crisis, with a broad sense of social responsibility, and in compliance with the Commission's pledge "to propose, suggest, and encourage the application of formulas necessary for peace in Chiapas," has the following to say:

1. It is urgently necessary that political and social forces undertake a JOINT EFFORT FOR PEACE WITH JUSTICE AND DEMOCRATIC STABILITY. Peace is the

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national demand. The demand for peace is not exclusive of any of the sides in conflict or a political banner. It is of all the people. We, the Mexican people, want a democratic change in peace. Those favoring peace in this country should make themselves heard for this reason. Let the voice of those willing to say No to war! Yes to peace! be heard. War should never again obscure the Mexican people's living, working, and political struggle conditions. The Chiapas conflict affects us all. We should all contribute so just and lasting peace can be signed soon. There is no room for indifference.

2. It is necessary that PROGRESS BE MADE IN A DIRECT DIALOGUE BETWEEN THE SIDES. The Commission highly appreciates the sides' expressed willingness to resume the dialogue and maintain a cease-fire. This sign, albeit encouraging, is still just an initial one. We deem it necessary for the sides to agree on a specific cease-fire so negotiations can be held, agreements and a consensus can be reached, and peace can be signed. For this reason, it is important to reiterate the mediation proposals for a direct meeting of the main participants in the conflict with a recommendation that reason prevail in the discussion of all items on the agenda, including those of a national nature.

3. The present conditions and political circumstances we all are familiar with make a NATIONAL DIALOGUE with the participation of all political and social forces more urgent, a dialogue that can lead to a great national agreement for the country's development. It is generally believed in Mexico it is necessary to build a new democracy, to reform the government and state, and to conduct a democratic transformation of economic, political, and social relations. Conditions are ripe for a great political reform. There is no time to waste.

We propose that Congress, local congresses, state governments, municipalities, nongovernmental organizations, and all social forces open a determined, national dialogue to stimulate the reforms on which a national consensus has been reached. We have the duty and opportunity to draft political reform laws, including the basis and method of enforcement, in accordance with an exemplary democratic procedure and with everyone's participation.

The general urgency to reformulate the political system in such a way that it can permanently establish the conditions for a democratic competition for power, new federalism, the rules for a new national agreement, and, in a more general sense, the reform of the state, leaves to Congress, home to democracy, pluralism, and tolerance, the task of consulting, at all democratic forums, the national intelligence on subjects of interest.

To create the necessary climate for a NATIONAL DIALOGUE, the Commission deems it pertinent to invite parties, political organizations, and the civil society in general to dispense with all recriminations and to create in the country a new framework of tolerance, critical participation, and the exchange of experiences and ideas. Only in this way can we build the just Mexico for which we strive.

4. The Commission underlines its willingness to provide opportunities to discuss negotiation subjects. The Commission reaffirms its willingness TO INTRODUCE AT THE CONGRESS ALL PROPOSALS STEMMING FROM THE PEACE AGREEMENTS.

We propose that the Congress Permanent Commission include on its agenda the groundwork for discussion of and for holding a national dialogue when the Commission calls for a special period of sessions.

[Signed] Senators Heberto Castillo Martinez, Luis Hector Alvarez Alvarez, Pablo Salazar Mendiguchia, Guillermo del Rio Ortegon, Luis Felipe Bravo Mena, Oscar Lopez Velarde Vega, Juan N. Guerra Ochoa, Rodolfo Elizondo Torres, Jaime Martinez Veloz, Marcos Carlos Cruz Martinez, Cesar Chavez Castillo, Alejandro Gonzalez Alcocer, Marco Antonio Michel Diaz, Alejandro Moreno Berry.
Mexico City, 5 January 1995.

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El Salvador

Coffee Producers To Coordinate Controls for Retention

PA0801121995 San Salvador LA PRENSA GRAFICA in Spanish 6 Jan 95 p A-17

[FBIS Translated Text] The systematization and establishment of controls to implement the retention of coffee in Central America, which began in January, were the main agreements reached by regional coffee producers who met in San Salvador yesterday.

Herbert de Sola, presidential delegate for coffee affairs, told LA PRENSA GRAFICA the purpose of the meeting with representatives from the five Central American countries was to coordinate the coffee retention agreed on 20 December in Guatemala.

"The objective of the meeting was to implement control systems for coffee retention, as agreed in Guatemala," he said.

De Sola added that because each country has different mechanisms, the representatives explained how the internal system operates in their respective countries, and systems for information and control were then established.

"We will use the system previously established in last year's world retention plan, which was controlled by the Coffee Retention Office in New York," de Sola said.

He added the Salvadoran Coffee Council will be the office in charge of coordinating the retention plan and will act as the information center. Rene Montes, Guatemalan ambassador to El Salvador, will be coordinator, while the five Central American countries will be members of the Retention Committee.

According to de Sola, the Central American coffee retention plan was designed to prevent excessive "volatileness" of the bean on the market. "We are trying to prevent a fall in the market in the near future, which would result in an exaggerated increase within a few months due to a shortage of beans," he said.

De Sola said Central American coffee producers are trying to stabilize coffee supplies on the international market. "Colombia has already balanced its supply. Central America is now trying to do the same thing through retention," he explained.

Central American producers met on 20 December in Guatemala, where they agreed to implement a 20 percent retention on coffee exports effective 1 January 1995.

According to reports, the measure has been effective, because coffee prices have already reacted positively. De Sola said in that regard yesterday's coffee price closed with a $4 increase.

Guatemala

European Union Envoy Conditions Economic Cooperation

PA0801020195 Panama City ACAN in Spanish 1530 GMT 7 Jan 95

[FBIS Translated Text] Guatemala City, 7 Jan (ACAN-EFE)—The European Union (EU) will maintain its economic cooperation for Guatemala as long as the country's institutional order is not broken again, Vittorino Alloco, EU ambassador to Central America, told ACAN-EFE.

Alloco, who is officially stationed in Costa Rica, visited Guatemala to sign with Guatemalan Foreign Minister Marithza Ruiz seven development projects for about $60 million.

Among them are two regional projects for $27.4 million to reinforce basic grain research and a sustainable development program in agricultural border areas in Central America.

The European official told ACAN-EFE the cooperation agreement signed between Guatemala and the EU contains a clause specifying the aid is conditioned to the maintenance of the country's institutionality.

"Cooperation will be suspended if this mechanism is broken." Alloco said, adding the nonrefundable financial aid is earmarked for developmental projects in the interior of this Central American country.

The diplomat said the EU is willing to "get down to work" to help the government's peace-seeking efforts.

"Cooperation will increase once a peace agreement is signed," Alloco said. Cooperation has reached 15.6 million ECU's (about $19.4 million) in the past four years, he added.

The government and the Guatemalan National Revolutionary Unity (URNG) have been negotiating an end to the war since April 1991 but have not yet reached a final agreement.

To test the URNG's political will, President Ramiro De Leon Carpio proposed at the United Nations 24 February as the date for the signing of a definitive peace agreement.

When consulted about this proposal, Alloco refrained from issuing an opinion, but he said the negotiation process, which he described as "complex," is advancing.

"The EU is ready to support the efforts being made by Guatemalan institutions and the private sector to reinforce a state of law, which should be consolidated after peace is signed," he said.

According to the EU representative in Central America, the signing of a peace agreement will be only the first phase of Guatemala's path to recovery.

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Alloco reaffirmed Europe decidedly supports the process of peace and reconciliation with a number of actions, including rural development projects, the resettlement of refugees and war displaced, and the strengthening of institutions involved in the negotiations.

The official said the EU has carried out 95 bilateral projects totaling 131 million ECU's (about $163.75 million) in Guatemala and 65 regional projects for 230 million ECU's (about $287.5 million).

De Leon Removes Government Minister; Others To Follow

PA0701025295 Guatemala City Televisiete Television in Spanish 0400 GMT 5 Jan 95

[From the "Channel Seven News" newscast]

[FBIS Translated Text] Guatemalan President Ramiro De Leon Carpio today announced the removal of Government Minister Danilo Parinello as the result of union reports linking him to the illegal purchase of 255 radio-equipped police patrol cars. The entire government security team, comprising the deputy minister, directors, advisers, and National Police and Treasury police heads, also will be removed.

[Begin De Leon recording] No one within or outside Guatemala will be able to deny that this is an honest and upright government, which will not tolerate even the slightest possibility of its high-level officials becoming corrupt. To correct the problem before the situation gets any worse, today I decided to remove the government minister. I have already informed him of my decision. [end recording]

De Leon said the move is designed to set a precedent to show all public officials that honesty is his administration's banner. Although he did not name a replacement for Parinello, who assumed office in March 1994, the president said Deputy Government Minister Edwin Quesada will serve as acting minister for a short while until a new minister is appointed. De Leon instructed the Comptroller General's Office to conduct a thorough investigation and an audit of the procedures used in the transaction involving a number of Russian-made Lada cars.

[Begin De Leon recording] I expect the minister's situation to be clarified within a few days. Then I will be the first to acknowledge, in his presence, the honesty and uprightness of the transaction and clear his name. I have asked the comptroller general, the prosecutor general, and the attorney general that, if the charges prove otherwise, they make available everything necessary for an in-depth investigation. [end recording]

The Prosecutor General's Office and the Finance Ministry will join this effort to clarify the facts, he added.

The General Confederation of Guatemalan Workers last week reported irregularities in the negotiations, and it implicated former President Jorge Serrano and Oliverio Garcia, his secretary for legislative affairs, in the overpricing of the vehicles. According to figures supplied by a Panamanian union, every vehicle is priced at $3,964.25. The final price in Guatemala, however, was set at $6,300.

Parinello, who has not been found guilty of the charges, completed a transaction riddled with doubts about his ability to protect the people's interests. De Leon thinks this is the beginning of a struggle to have corrupt officials in top positions to be turned over into the hands of the law. He believes that corruption is the greatest enemy of democratic systems in America. The truth is that, after the reported participation in an illegal purchase of patrol cars, the president still has in his government officials who have implemented questionable programs.

The government of the former human rights ombudsman has encountered a number of problems, ranging from economic to political to social. De Leon has reasserted his determination and efforts to pacify the country, but other important problems have yet to be resolved, such as the solution of the energy crisis; former President Serrano's extradition; and persuading unions to support his state enterprise privatization program, which is said to benefit the country's top leaders. Nevertheless, the Secretary General's Office has announced more changes will take place beginning on 15 January—changes the Guatemalan people expect will benefit the majority, not just a few.

De Leon Denies Political Ambitions Upon Term End

PA0701185395 Guatemala City Teleonce Television in Spanish 1900 GMT 6 Jan 95

[Statement by Guatemalan President Ramiro De Leon Carpio; place and date not given; from the "Telepress" newscast—recorded]

[FBIS Translated Text] I will continue to make contributions. I have told you before, and I will reaffirm it: My mission will end on 14 January 1996. I do not belong to any political party, and I do not think I will be a member of one in the future, but it is a possibility in the distant future. There is no chance, however, that I will be involved in political-electoral activity.

I think the people of Guatemala and history will judge my mission; whether it was good, fair, or bad. But this is my time, my political time. Many do not think I should have accepted this; that I could have gotten here through elections; that two and one-half years is too short. I, however, accepted this challenge. Whether I handled it well or not will depend on how I handled the situation.

At present I am fulfilling a mission, and I have one more year to go. My mission will end on 14 January 1996. I do not plan to resign, as has been said, that I will resign

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before [words indistinct] June. I will hold a news conference on 7 June, on 6 June, to reaffirm this, but that is not my intention.

I think I have already made my contribution to the country. I founded a political party; I was co-founder of the UCN [Union of the National Center] along with Jorge Carpio. That political party contributed what it had at a given time. I worked in other areas of my profession prior to that. I was a lawyer and a notary. I worked at the Bank Superintendency, at the State Council, in Congress, in the Constituent Assembly as president, and as human rights ombudsman.

The Office of the Human Rights Ombudsman is an institution that deserves all my respect. I will try to promote a rapprochement with the current ombudsman, not to make it an official institution or anything like that, but because this is a year for conciliation and reconciliation, and I want to hold talks with all sectors to try to move the country forward. Finally, I have made my contributions as president of the republic.

I think I have made my contributions. If in the very distant future I can contribute in other ways... [pauses] I will, of course, continue to make contributions through an international human rights organization that I have somewhat agreed to head, and I will also make contributions through another organization that combats corruption in Latin America. I will also dedicate my time to writing my memoirs; experiences that could help Guatemala, that could help Guatemala socially.

Rebel Commander on Peace Commission President's Statements

PA0701020395 Guatemala City SIGLO VEINTIUNO in Spanish 5 Jan 95 p 4

[FBIS Translated Text] Acknowledging that the guerrillas are indeed evaluating the proposal President Ramiro De Leon Carpio has made, Pablo Monsanto (alias Jorge Soto), Rebel Armed Forces commander, told the news agency CERIGUA in Mexico yesterday *Hector Rosada, president of the Guatemalan Government Peace Commission, is trying to hide the truth behind the statements he made on the negotiations.*

Monsanto said it is obvious Rosada has not been able to assimilate the teachings of the Army schools on the so-called *psychological war.*

The rebel commander maintained the guerrillas are analyzing the proposal made by President De Leon regarding the possibility of signing a peace agreement on 24 February, adding the insurgents will present their own proposal in due time. Monsanto did not set a date, however, to make public the proposal and limited himself to saying it will be known *when it is ready.*

Honduras

Reina Suspends Increase in Transportation Fares

PA0701010195 Panama City ACAN in Spanish 1425 GMT 4 Jan 95

[FBIS Translated Text] Tegucigalpa, 4 Jan (ACAN-EFE)—Honduran President Carlos Roberto Reina today suspended a 140-percent increase in public transportation fares to prevent latent social dissatisfaction, which he has feared would erupt in riots in Honduras.

Lila Ucles, transportation director of the Communications, Public Works, and Transport Ministry, said on 3 January an increase in public transportation fares from 25 cents of a lempira (a little over 2 cents of a U.S. dollar) to 60 cents of a lempira (6 cents of a U.S. dollar) had been approved.

Ucles said the measure was adopted to reduce the government's transportation subsidy by 120 million lempiras ($10.8 million). The current subsidy exceeds $21 million.

President Reina decided, however, to "suspend" the announced increase after a meeting in the Government House with Communications, Public Works, and Transport Minister Herman Aparicio.

The president decreed the suspension of the fare increase after receiving a number of warnings from union and community leaders that they would protest any increase in public transportation fares.

Meanwhile, the government has authorized a 25-percent increase in taxi fares, which increased from 21 to 27 cents of a U.S. dollars.

Reina promised 1995 would be a "better year," but the people are resisting indications of increases in the cost of public services such as electricity, water, and telephone service.

Meanwhile, a legislative decree passed in October that froze the price of approximately 40 basic food products expired 1 January, and a general increase in the price of food is anticipated.

Four residents in the neighborhood of Canaan, a poor community that shelters approximately 600 residents, in the eastern sector of Tegucigalpa, have declared themselves on a hunger strike to protest the high cost of living.

Panama

Envoy Says U.S. Still Working on Withdrawal of Rafters

PA0601193695 Panama City LA PRENSA in Spanish 6 Jan 95 p 2A

[Report by Jose Quintero De Leon]

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[FBIS Translated Excerpt] Panamanian Ambassador to Washington Ricardo Alberto Arias yesterday said that the United States is still trying to find a solution to the withdrawal of Cuban rafters from Panama as the 6 March deadline approaches. This is the date when the agreement signed with Panama on the rafters stay ends. Rumors that they will be returned to Guantanamo are gaining strength.

Arias added that Washington has informed him that its solutions include several alternatives, that is, they include a much broader plan, which has not been explained to him, that could encompass the possibility of a group of Cuban rafters being taken to the United States.

As for the 6 March deadline, he pointed out that the United States is very much aware that the signed agreement lasts six months and that the Panamanian Government has told the U.S. Government it must comply with the agreement. This is why Washington is seeking formulas through which the more than 8,000 Cubans lodged in Panama will be moved out. [passage omitted]

Rafters 'Would Rather Die Than Return to Cuba'

PA0801172795 Panama City ACAN in Spanish 1807 GMT 7 Jan 95

[By Fabio Agrana]

[FBIS Translated Text] Panama City, 7 Jan (ACAN-EFE)—Faced with the possibility of being moved to the U.S. base in Guantanamo (Cuba) when the deadline for their stay in Panama expires in March, the Cuban rafters, who are staying in camps located in the Canal area, have stated that they would rather die than return to Cuba.

When reporters visited Camp No. 1—there are four in the Canal area—recently, Jesus Luis Castrellon, a 26-year-old rafter who is a watchmaker, emphasized to ACAN-EFE that the prevailing thought among the rafters is that they would "prefer to die" before returning to Cuban territory.

"If they do not want us in the United States, let them put us back in the ocean," Castrellon added. He, however, believes that the return-to-Cuba rumor is part of a "psychological operation" launched by the U.S. Army "to pressure and force us to choose third countries" in order to leave Panama.

He added that the uncertainty about their future has created a situation of "constant tension" among the Cubans in Camp No. 1 and warned that they are willing to do "whatever is necessary, including escaping" so as not to return to Cuba.

Colonel James Greenwood, who is the chief of Camp No. 1, where more than 1,000 Cubans staged violent riots on 8 December, said that returning the Cubans to Guantanamo is "just another option, similar to others" in the departure program prepared for the rafters by U.S. authorities.

Greenwood admitted that there is a climate of "tense calm" in the camp, because the Cubans are concerned about their possible return to Cuba but he indicated that there is still "nothing final" on this matter.

The deadline for the stay of the Cubans in Panama is on 3 March. The Panamanian Government has confirmed that their stay in the country will not be extended and has reiterated that the Cubans will have to be sent to the United States or to a third country by that date.

The possibility of sending the rafters to Cuba was discussed by the U.S. military authorities and the Cubans during a visit made by reporters to Camp No. 1 last Friday. This camp is occupied only by men after the December riots.

Most of the Cubans rejected the possibility of being sent to Cuba, reiterated their desire to go to the United States, and demanded that Southern Command authorities give them exact information on what they are planning to do with them.

Panama signed an agreement with the United States in September, to receive up to 10,000 Cuban refugees for a six-month period only.

Approximately 1,500 Cubans staged serious incidents on 7 and 8 December, during which two rafters drowned in Canal waters when they tried to escape from the camps in protest for the slowness with which they are being transferred to the United States.

Referring to those riots, in which 221 soldiers and 28 Cubans were injured, several Cubans in Camp No. 1 indicated that many of the 400 rafters who are under arrest for those events are innocent and added that the women are to be blamed as they are the ones who prodded the men to rebel.

Colonel David Holland, however, has confirmed that the rafters will leave Panama in March, as was established in the agreement between the U.S. and Panamanian Governments.

He also added that the departure program for the Cubans is being implemented, but he did not specify if they will be transferred to the United States, third countries, or Cuba.

Reports from the United States indicate that security measures will be reinforced at the U.S. Guantanamo base to face the "projected" arrival of the rafters who are in Panama.

Holland said that the Southern Command does not have any information on troop movement to Guantanamo

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currently, but he did observe that the Cubans have to be told "what is going to be done with them, in the best possible manner."

Cuban Guillermo Gutierrez, a 27-year-old driver, told ACAN-EFE that they are "desperate" and in "constant tension" because they hardly have any information on their alleged transfer to Guantanamo.

He added that there is uncertainty "about everything, because not only do we not know about Guantanamo but we also do not know what they will do with us. There is even talk of sending us to third countries."

Last week, General Jim Wilson, head of Operation "Save Haven"—the name given to the Cuban's stay in Panama—reported that other countries, including the United States, Spain, Venezuela, and Belize, have expressed their willingness to receive rafters.

Out of the approximately 8,000 Cubans in the camps, some 550 have been able to go to the United States under the temporary entry program, and Spain accepted 72 for humanitarian reasons on 8 December.

Association Maintains Position Against Joining GATT

PA0801034895 Panama City Circuito RPC Television in Spanish 1730 GMT 7 Jan 95

[Report by Luis Polo Roa from the "Day to Day" newscast]

[FBIS Translated Text] The Association of Panamanian Industrialists [SIP] maintains its position against Panama's entry into GATT according to its current president, Luis Barraza de Freitas.

It should be the responsibility of the government, according to Barraza, to protect Panamanian producers and not cause what could be the death of our medium- and small-size industries if they are forced to face a great market war. He has said people who have nothing to risk in the country only want to be in vogue by opening up the country's borders to a globalization. He has said what they should do is to work for the improvement of the country's small-size industries to prevent the country from failing as has happened in other countries:

[Begin Barraza recording] We see the example of Mexico. It opened up its borders, lowered its tariffs, and is facing a serious fiscal problem today. Minimum wages in Mexico's countryside are under $2, less than 50 percent of what is earned in Panama. A similar situation is expected in Argentina. These are models being sold to us by the countries which have already developed themselves, which have already polluted the world, and which want to keep us as producers of raw materials and underdeveloped or developing countries. We could listen to those messages, but we are not willing to heed those calls. We must fight for our nationality; we must fight as Panamanians. We must fight for the place we deserve in the world of the future. [end recording]

Barraza has said the SIP will present in the next few days its official position on the counterproposal Panama must submit to the United States on 15 January for its subsequent negotiation in February. Barraza also has said this second proposal has not been frowned upon by U.S. Vice President Al Gore, therefore, it is necessary for Panamanians to protect the products that are essential to our economy.

Housing Minister on Appraisal, Sales of Canal's Reverted Area Housing

PA0801020095 Panama City Circuito RPC Television in Spanish 2300 GMT 6 Jan 95

[From the "RPC Television News" newscast]

[FBIS Translated Text] The tenants in the reverted area of the Canal owe the central government $23 million. This situation has led to the suspension of leasing in the area so as to proceed to the sale of those houses. Housing Minister Francisco Sanchez Cardenas has explained to RPC the houses in the reverted area are being appraised to establish their value and proceed to their sale. He has said the current tenants will have the first option in the sale:

[Begin Sanchez recording] The policy the government of Ernesto Perez Balladares and the ARI [Interoceanic Region Authority] will implement after the ARI Law is adjusted is the following: In 1995, I believe, we will be receiving nearly 1,000 more housing units, which, along with the approximately 2,000 we already have, add up to about 3,000 housing units which, in general, will be put up for sale. The current tenants in those houses will have the first option of purchasing them.

We will try as much as possible to avoid renting these houses. We have had a bad experience in renting them because a large number of tenants are in arrears with their payments. We want those houses to have the greatest possible collective use so their prices will be accessible to citizens. We believe the ARI should be responsible for handling the units that are reverting to Panama. [end recording]

He added the bidding process will begin after the appraisal phase. The money from these sales will go to the Special Fund for Low Income Housing [Fondo Especial para Viviendas de Interes Social—FEVIS]. This fund is used to build low income housing. Regarding the collection of the owed rents, the ARI is in charge of the policy. Approximately 40 percent of the tenants are in arrears with their payments. This total amounts to approximately $23 million.

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Argentina

Government Creates Bank Security Network

PY0901112895 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1352 GMT 6 Jan 95

[FBIS Translated Text] Buenos Aires, 6 Jan (NA)—The government has summoned representatives of the five most important private banks to create a "security network" in order to help financial institutions with liquidity problems. Those problems resulted from the withdrawal of foreign capital provoked by the repercussions of the Mexican crisis.

Economy Minister Domingo Cavallo, in an attempt to return calm to the financial system, decided to organize a group of banks to face the situation. This group comprises banks Rio, Galicia, Frances, Citi, and Credito Argentino, which will benefit with an additional reduction of compulsory deposits in the Central Bank.

The purpose is to allow them to loan those funds to larger banks with liquidity problems. These loans will be guaranteed by the (mortgages and guarantees) portfolios of the institutions facing difficulties.

The measure seeks to instill trust in institutional foreign investors, whom Cavallo will visit in New York on 10 January. The minister will try to convince investors of the differences between the Mexican and Argentine processes.

The devaluation of Mexican peso had negative repercussions in the Argentine financial market, provoking a crisis that forced the Extrader Bank to suspend the payment of its obligations. The Central Bank helped Extrader by granting it a 30-day moratorium on its debts.

Roque Maccarone, banks, finance, and insurance secretary, said "no other banks have liquidity problems," but yesterday the Central Bank was forced to suspend the Finmark Stock Market House temporarily because it had failed to pay its obligations.

The government, fearing the possibility of a repetition of the problem in other banks, decided to call on the five largest private credit institutions in the country to absorb the impact by loaning money to other institutions when they face similar difficulties.

Government To Attempt Privatization of Atucha-2

PY0901112795 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1505 GMT 6 Jan 95

[FBIS Translated Text] Buenos Aires, 6 Jan (NA)—During a chat with journalists at Government House, President Carlos Menem admitted today that the government intends to privatize the Atucha-2 [nuclear] power plant.

The president noted: "We will attempt to privatize Atucha-2. There are 4,000 workers there and, if the privatization is not achieved, we will have to halt the project."

Menem said "there are no funds" to honor the expenditures arising from the operation of this nuclear power plant, as "there already is no source for" money.

Bolivia

Sanchez Berzain, Justiniano Named to Cabinet

PY0701011595 La Paz Television Nacional Network in Spanish 2200 GMT 6 Jan 95

[Executive Branch decree read by Social Communications Minister Ernesto Machicao at Government House in downtown La Paz – live]

[FBIS Translated Text] Presidential Decree No 23,936 issued by President Gonzalo Sanchez de Lozada.

Whereas:

Article No. 99 of the national Constitution and Articles No. 1 and No. 4 of Law No. 1,493 issued on 17 September 1993 establish that the president is empowered to appoint members of the cabinet;

It is hereby decreed:

Article 1. The following citizens are appointed to the following ministries:

Carlos Sanchez Berzain is appointed government minister;

Jose Guillermo Justiniano Sandoval is appointed minister of the Presidency.

Article 2. The newly designated cabinet members will be sworn in today during a special ceremony to be held at Government House.

Issued at Governmenet House in the city of La Paz on 6 January 1995.

Signed: Gonzalo Sanchez de Lozada, constitutional president of Bolivia;
Signed: Carlos Sanchez Berzain, minister of the Presidency.

Sanchez de Lozada Administers Oath

PY0701021095

[FBIS Editorial Report] La Paz Television Nacional Network in Spanish at 2200 GMT on 6 January 1995 begins carrying live from Government House in downtown La Paz the swearing-in ceremony of Government Minister Carlos Sanchez Berzain and Minister of the Presidency Jose Guillermo Justiniano Sandoval.

The ceremony, which is attended by President Gonzalo Sanchez de Lozada, cabinet members, and high-ranking government and military officials, begins with the reading of a presidential decree by Social Communications Minsiter Ernesto Machicao. The decree announces that President Gonzalo Sanchez de Lozada has appointed Sanchez Berzain and Justiniano to the cabinet.

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Immediately after this, President Sanchez de Lozada addresses those present. In his speech, Sanchez de Lozada thanks outgoing Government Minister German Quiroga—who is not present at the ceremony— for loyally and patriotically upholding the laws and the Constitution. He also praises the dedication to serving the fatherland and willingness to enforce structural changes shown by Sanchez Berzain and Justiniano.

Sanchez de Lozada says that for the past 16 months, Minister Sanchez Berzain has worked closely with him in implementing the structural changes that were supported by the people in the last general elections. He adds that as a man of law, Sanchez Berzain's presence in the Ministry of Government will be important because democracy is based on the upholding of civil rights consecrated in the Constitution. He says: "There can be no democracy if there is no respect for the law. After many years of de facto governments and authoritarian attitudes, there is the erroneous belief that the president is all-powerful and that he rules the land. This is not correct. It is the laws and the Constitution that rule the fatherland."

Sanchez de Lozada adds: "I believe this is important because Bolivian society must be protected. We must launch a decisive fight against drug trafficking and other crimes that undermine all societies, particularly those of poor countries such as ours."

After explaining the role of minister of the presidency, Sanchez de Lozada announces that Jose Guillermo Justiniano has been appointed to this post, which seeks to coordinate government activities. He adds that in military terms, the ministry of the presidency is the chief of staff of the administration, and in political terms he is the one in charge of promoting dialogue.

Sanchez de Lozada concludes by stating that these two appointments open new prospects for political agreements and coordination of government affairs within the framework of combating corruption and crime but always upholding human rights.

Immediately after, Sanchez de Lozada administers the oath of office to Sanchez Berzain and Jose Guillermo Justiniano.

The ceremony concludes after the two incoming cabinet members deliver a few words in which they describe the main tasks of their new ministries.

The two new ministers are then briefly interviewed by the press before the station returns to normal programming.

Brazil

'Lack of Foreign Investments' Affects Stock Exchanges

PY0701030795 Rio de Janeiro O GLOBO in Portuguese 5 Jan 95 p 23

[By Patricia Mauricio]

[FBIS Translated Text] A lack of foreign investments in Brazilian stocks is leaving the stock exchanges for the flies this month, with extremely few deals having been made. Brazilian investors have already bought all the stocks they can afford, hoping that, following Cardoso's inauguration, an inflow of foreign investments would push the stocks upward. That inflow was expected to start as early as late December, in anticipation of the reforms the new Brazilian Government would make. Yet, Mexico frustrated all these hopes.

Vitor Hugo Roquete, director of International Investment Services (a subsidiary of Opportunity Capital Partners), has said: Although investors have become more sophisticated in recent years, the ultimate investor, the one who puts his money in a fund in the United States, does not care if the problem is occurring in Mexico or in Brazil; that is, if the problem is occurring anywhere in Latin America, he would withdraw his money.

Roquete noted that the Sao Paulo Stock Exchange [Bovespa] was up by 59.75 percent in dollars in 1994, thus, he said, foreign investors would naturally like to sell their stocks where they could make a profit to cover other losses. Yet, even admitting that foreign investors have been uneasy toward Brazil since the start of the Mexican crisis, they cannot be held accountable for the ongoing decline in the indexes of Brazilian stock exchanges (by 7.2 percent in Rio de Janeiro and by 8.8 percent in Sao Paulo since 1 January). Roquete blames this decline on Brazilian investors, who panicked and sold their stocks out of fear that this crisis could have the same effect as the 1982 Mexican crisis, which had affected Brazil.

Alvaro Bandeira, president of the Brazilian Association of Capital Market Analysts (Abamec) [Associacao Brasileira dos Analistas do Mercado de Capital], goes beyond that and states that the decline is being provoked by investors, administrators of foreign funds included, who are signing contracts on the market based on future indexes (speculating on the decline of the Bovespa index), but are then selling the stocks for cash, thus earning the projected decline of the index. At this time, when neither foreigners nor Brazilians are making deals, one does not need to sell a large amount of stocks to push the stock market index down.

Taking a close look at the volume of stock market transactions made late in December, we would find that only a few real purchases and sales of stocks were made. It was a parade of fake or direct operations, with one broker selling to himself or with two brokers agreeing beforehand that one would sell to the other. There would be nothing special in this type of operation, but late in 1994 it was widely used by investors who were selling stocks to themselves at a loss to compensate for profits obtained through other stocks and thus avoid paying taxes.

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Editorial Analyzes Mexican Crisis, International Aid

PY0701024895 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 5 Jan 95 p A3

[From the "Notes and Information" page: Mexico in the World]

[FBIS Translated Text] What is really amazing in the current crisis facing Mexico is the reaction of the international financial community, which, in a matter of days, managed to mobilize $18 billion to help the government of that Latin American country. When one recalls the difficulties Mexicans came up against during the crisis of the external debt and the delay in the signing of a debt rescheduling agreement, it is possible to assess the changes resulting from Mexico's joining NAFTA in the right perspective. Meanwhile, the announcement of the aforementioned aid and of the plan put together by [Mexican] President Ernesto Zedillo has so far been unable to stem the tide of expectations and to prop up the Mexican peso. The substantial size of the foreign aid and the alacrity with which it was given clearly prove that the international financial community wanted to prevent the situation from getting worse so that other countries implementing adjustment programs would not be affected by the problems confronting Mexico. The latter's interests were probably not the reason for this decision. The overriding consideration was rather the interests of foreign investors who, encouraged by U.S. and European financial institutions to invest in the so-called emerging markets, suffered losses due to the violent devaluation of the peso. In a globalized economy, the domino effect of the Mexican crisis may render the whole world economy vulnerable and, above all, eat into savings at a time when industrial countries' economic recovery makes investments necessary. It was of utmost importance that the international finance community convinced itself that the globalization of the economy does not entail any risk.

Undoubtedly, the mobilization of $18 billion would not have been possible without the help of the United States and Canada, which, within the framework of the commitments provided for by NAFTA, offered the other creditors some sort of guarantee by collecting nearly half of the amount obtained to salvage Mexico. Obviously, had it been Argentina or Brazil that needed such aid, it would have not been so easy to obtain such a substantial sum. At any rate, the Mexican crisis shows that the international community no longer wants to be confronted by the difficulties which, back in the 1980's, put industrial countries' financial structure in jeopardy.

The question is whether the measures announced by the Mexican president—who does not seem to have the charisma of his predecessor—will be able to reverse expectations. With reserves standing below $6 billion and with $10.3 billion in Tesebonos (domestic debt securities) becoming due in the first quarter—nearly all of them are in the hands of foreigners—it will be difficult for the government to reduce the current account deficit, which currently stands at $29 billion, to $14 billion, as was expected. It would, on the one hand, be in a position to reschedule the debt, i.e. to postpone its repayment, and on the other, to convince foreign investors to invest once again in Mexico, which does not seem easy in light of the devastating effects of the devaluation of the peso by more than 50 percent.

The solution would be to have a surplus in the trade balance (which in the first seven months of 1994 showed a deficit of $12.4 million), but in order to do so, it would be necessary to greatly devalue the Mexican peso, something which would cause the prices of imported goods to go up. In an attempt to reorganize the country's economy, the Mexican Government is working on a social pact—workers would reportedly accept a wage hike of no more than 10 percent in 1995 (including a bonus for productivity) and businessmen would in turn pledge not to increase prices more than what is necessary to offset importation costs. This is indeed a very flimsy agreement.

Cutbacks in the budget are a mere promise and the privatization process that the Zedillo administration intends to further may be affected by the risk that a recession will hit Mexico. Only if foreign investors and economic agents recover their trust in the country will a sound recovery be possible. This, unfortunately, goes to prove that it is most difficult to emerge from an exchange crisis unscathed.

Chile

Public Works Minister Said To Tender Resignation

PY0601223095 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1700 GMT 6 Jan 95

[FBIS Translated Excerpt] The announcement of the construction of a special prison for military officers has sparked a cabinet crisis. It was learned this morning that Public Works Minister Ricardo Lagos tendered his resignation to President Eduardo Frei. The resignation is based on the fact that Lagos does not agree with the idea of building this special prison and he is not willing to sign the decree that will allow the initiation of the works.

It was also learned that Lagos would remain in the government only if the construction of the prison for military officers is undertaken by another state organization and not by his ministry. As of this moment, President Frei has not said anything on the matter.

Reporter Jose Miguel Alfaro will give us further details on this matter from La Moneda Palace. Good afternoon, Jose Miguel.

[Begin Alfaro recording] Good afternoon, Eduardo. As of this moment, there is no official confirmation concerning the resignation of Public Works Minister Ricardo Lagos. Nevertheless, intense activity had been

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reported at Government Palace as of noon, when Interior Minister Carlos Figueroa suspended his activities in the Fifth Region to return to Government Palace to analyze the cabinet crisis triggered by the announcement of the construction of a prison specially designed for military and police officers who have committed crimes. [passage omitted]

The rumors regarding resignations have also involved Foreign Minister Jose Miguel Insulza, who a few minutes ago categorically denied his possible resignation. We must also note that Interior Minister Carlos Figueroa is at this moment analyzing the situation with Minister Secretary General of the Presidency Genaro Arriagada and Foreign Minister Insulza, expecting to meet with leaders of the Coalition of Parties for Democracy Erich Schnake and Patricio Hales. [end recording]

Resignation Confirmed; Crisis Denied

PY0601223895 Madrid EFE in Spanish 1719 GMT 6 Jan 95

[FBIS Translated Excerpt] Santiago, 6 Jan (EFE)—Government sources reported that Public Works Minister Ricardo Lagos, a socialist, resigned today, 6 January, due to disagreement over the decision by President Eduardo Frei's government to build a special prison for military officers sentenced for human rights violations.

The consulted sources did not rule out the possibility of a resignation en masse of the socialist ministers of President Frei's government.

Foreign Ministry sources reported at 1200 (1500 GMT) that Foreign Minister Jose Miguel Insulza, who is also a socialist, left his ministry "grim-faced" to go to La Moneda Palace.

The other socialist ministers are Alvaro Garcia (Economy), Luis Maira (Planning), and Jorge Arrate (Labor), some of whom support the position assumed by Socialist Party President Camilo Escalona, in favor of the construction of the prison.

From Valparaiso, where the National Congress is located, President Eduardo Frei declined to make remarks on the resignation, while the interior minister—and the strong man on the cabinet—denied the existence of a crisis, but returned urgently to Santiago. [passage omitted]

Resignation Withdrawn; Situation 'Overcome'

PY0701020295 Santiago Television Nacional de Chile Imagen Internacional in Spanish 0000 GMT 7 Jan 95

[FBIS Translated Excerpt] The announcement made yesterday by the government to build a special prison for military officers today prompted a political crisis in the country. This morning Public Works Minister Ricardo Lagos tendered his resignation to President Eduardo Frei, stating that his ministry was not willing to build such a prison. This afternoon, and after intensive political negotiations at all levels, an agreement was reached and Lagos will remain in his post. Congress will decide whether the controversial prison will be built or not. [passage omitted]

[Begin Lagos recording] I would like to tell you that in fact today I tendered my resignation from my post to President Eduardo Frei. I believe that by the end of the day, and following a government communique which states that it will be the Chilean Congress that will decide on this matter, the situation was overcome. The communique states the following:

First, that the prison police chief will decide on the places of imprisonment, and second, that congress will decide whether a special prison will be built or not.

Consequently, I held a meeting with the president of the Republic, at the end of which I told him that I was withdrawing my resignation.

I want to point out to the many people who have somehow expressed their solidarity with me that such expressions were not necessary, but I thank them.

I believe that in politics we must adopt a consistent position, and that was my intention. I am here to do the job of a public works minister round the clock, and that is what I am doing.

Today I had to make a difficult decision, and I made it because I felt that in this manner I was better serving Chilean interests. I understand that within a government there can be different points of views, but we are all inspired by the best objectives.

Nevertheless, I want to apologize if I kept you here all day in the hope of obtaining a statement from me. [end recording]

Government Still Undecided on Ties With Cuba

PY0901113095 Madrid EFE in Spanish 2135 GMT 5 Jan 95

[FBIS Translated Text] Santiago, 5 Jan (EFE) — It was reported today, Thursday, in the Chilean capital that the Chilean Government has not yet made a decision to renew diplomatic relations with Cuba.

This information was made known by Jovino Novoa, president of the Independent Democratic Union (UDI), who indicated that Foreign Minister Jose Miguel Insulza himself had personally informed him of this fact.

Novoa met with the foreign minister on 5 January to personally inform the minister that his party rejects an eventual renewal of diplomatic ties with Cuba, a decision that has already been made by President Eduardo Frei, according to what was learned during the past week.

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Novoa stated that the foreign minister had told him that if a decision is made in this respect, then an ample national debate will be called for prior to said decision.

The rightist political leader indicated that they had reminded the minister that the Cuban regime has carried out aggressive actions against Chile in the past.

Chile and Cuba broke off diplomatic ties in September 1973 due to the coup d'etat that overthrew the Socialist government of Salvador Allende, and they were renewed at the consulate level in 1991 during the government of the Coalition of Parties for Democracy.

During the past few weeks the parties of this coalition (Christian Democrats, Socialists, Radicals, and the Party for Democracy) that is now in power have announced that they favor the renewal of full relations with Fidel Castro's regime.

Colombia

Peasants Threaten March in Caqueta Over Glyphosate Spraying

PA0701193695 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1800 GMT 7 Jan 95

[From the "NTC News" newscast]

[FBIS Translated Text] A new peasant march to protest glyphosate sprayings is in the making in Caqueta. Hundreds of peasants are already in Remolino del Caguan Municipality and are ready to march on Florencia.

While the crisis in Putumayo was being resolved, peasants met at Remolino del Caguan to announce a new protest march against glyphosate spraying. The peasants are ready to march on Florencia if the peasant leaders who went to Santa Fe de Bogota on Tuesday to make their demands to the government minister do not receive satisfaction.

The demands are specific: The peasants want to substitute their crops and suspend aerial fumigation. They said that the minute they are allowed to speak to top government officials, they will suspend the march.

Guerrillas Attack Helicopter Escorting Planes

PA0801193695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1800 GMT 8 Jan 95

[From the "Cripton Newscast"]

[FBIS Translated Text] We have a report on an attack against a National Police helicopter in Granada, Meta Department. Edward Amaya has this last minute report for us:

[Amaya] Good afternoon. With us here this afternoon is the police director. General Rosso Jose Serrano, what happened in the area of Meta Department?

[Serrano] A helicopter escorting dusting planes near Guaviare came under attack. The helicopter's technician received two shots. The pilot was luckily able to maneuver the helicopter, despite being shot. He has just been admitted to a hospital, and we are now going to visit him.

This is an indication that the spraying is indeed yielding positive results, because all these movements represent an act of retaliation against the spraying. I think we are compelled by the Constitution to eradicate illegal crops, and we will continue to do so.

I believe that despite these incidents, the police will not be frightened. On the contrary, we will use all material and human resources to eradicate these crops. Luckily, we have a great deal of experience in this regard, we have enough equipment, and we will continue to spray.

[Amaya] Was the attack launched by the guerrillas?

[Serrano] It was launched by the guerrillas and drug traffickers, who are allied. But we will continue to do our job.

[Amaya] Was anybody killed?

[Serrano] No. A helicopter technician was injured. In any event, the two helicopters that were in the area returned the fire, and we will later assess if there were casualties on the part of the guerrillas.

[Amaya] We thank the National Police director. This is all for now.

U.S. Pilots Said Participating in Sprayings

PA0901030695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0130 GMT 9 Jan 95

[From the "AM/PM Newscast"]

[FBIS Translated Text] The biggest spraying operation ever seen in America has been under way in Colombia for several weeks. When we discussed this subject a few weeks ago, the police force, some military commanders, and government officials quickly denied everything. They also said that from now on, anyone who dared broach the subject in public would be labeled a drug trafficker. Nevertheless, the same people who rejected our reports have now confirmed every single one of them after just one week.

One month ago we reported, based on documents, that the United States would use from three to 12 planes to spray herbicides on our jungles, but Colombian authorities denied our report. A week later, however, a serious newspaper, EL TIEMPO, confirmed it.

Six weeks ago we reported that the herbicide Velpar would be sprayed, but Colombian authorities denied it. Today we established that a mixture of glyphosate and Velpar, which can cause blindness, is being used on our jungles. Six weeks ago we reported that U.S. personnel would participate in the operations, but Colombian

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authorities denied it. One week later, Colombian newspapers confirmed that, quote, the spraying operation would receive direct U.S. Government assistance. [no closing quotation as heard]

Of all this, only one detail—the direct participation of U.S. pilots and personnel in the spraying—remained unsettled. But we have confirmed this from two different sources. One is an overwhelming official document. The other is a report filed by Colombian pilots of DAS [Administrative Department of Security].

The report, whose details we have confirmed, states: one, that two pilots —Argentine-U.S. citizen Julio Dennis and U.S. citizen Gregg Smith—fly from Neiva; two, that the two men are lodged on the eighth floor of the BCH [Banco Central Hipotecario] building in Neiva, the capital of Huila Department; three, that the pilots are flying planes of the Colombian police without a license or authorization from the Foreign Ministry; four, that the pilots often wear National Police uniforms; and five, that the pilots report directly to the U.S. Embassy in Colombia.

Tomorrow we will broadcast the official document which not only confirms these reports but exposes situations as serious as the spraying of poison by U.S. pilots over populated areas.

Government Minister: Calm Restored in Putumayo

PA0701024995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 7 Jan 95

[Report by Juan Roberto Vargas; from the "Seven O'Clock Newscast"—passages within quotation marks are recorded]

[FBIS Translated Text] Calm has apparently returned following several days of social unrest in Putumayo, which included the occupation of oil installations and demonstrations apparently promoted by the guerrillas but staged by peasants with justifiable demands.

The spokesmen for more than 5,000 peasants who were demonstrating were able to talk to the government for the first time following yesterday's violent incidents in Churuyaco, Orito. They made it clear the region's living conditions are deplorable despite the multimillion-dollar oil revenues Putumayo brings to the country. There are no roads, hospitals, or schools:

[Unidentified spokesman for the demonstrators] "Most of the participants are peasants who have never seen tear gas before, for example. We believe the demonstration is fair. We are all aware of the inhumane conditions facing Putumayo residents."

The peasants heeded the government's warning and peacefully left the oil installations despite these conditions. The police took over the area, and officials from the Attorney General's Office and the Prosecutor General's Office are evaluating the situation at the Churuyaco Base to determine whether there were human rights violations when the peasants were evicted:

[General Mario Hugo Galan] "As for the situation in Churuyaco, it was all the responsibility of the leaders and terrorists who infiltrated these areas. We never resorted to violence."

Tension persists, however, and the influence of the guerrillas and drug traffickers is evident.

Despite the agreement that will apparently be reached between the government and the protesters in Putumayo, the military and police forces will maintain their fighting strength in the region to prevent more incidents and disorder.

Meanwhile, Government Minister Horacio Serpa Uribe said as soon as he learned the demonstrators had abandoned their aggressive attitude he would be open to dialogue and promised to send a government commission.

Peasants protesting the poor living conditions in the region decided to abandon Ecopetrol [Colombian Petroleum Enterprise] camps and reach agreements with the government following 15 days of protests:

[Serpa] "The demonstrators have evidently abandoned the installations they occupied. There are no roadblocks. Normalcy has been restored to the department."

Serpa talked about the agreements reached with the peasants in Putumayo after saying these types of actions are not the proper ones for finding solutions to the problems adversely affecting their community:

[Serpa] "We are going to listen to the demands made by citizens but always within social harmony and in keeping with the law."

Now that the demonstration has ended, the government will send a commission to the region next week. It warned, however, that glyphosate fumigation in the region is not negotiable.

Tense Calm in Putumayo as Peasants Leave Oil Tank Complex

PA0701195495 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1800 GMT 7 Jan 95

[FBIS Translated Text] This morning the Army cleared the last of the oil tank complexes controlled by demonstrators in Putumayo Department. The government has reiterated that calm has returned to the region, but the situation remains tense.

A new mobilization is taking place in Putymayo. Approximately 1,500 peasants from Villa Garzon, Puerto Limon, Puerto Umbria, and Puerto Guzman Municipalities in the central region of Putumayo Department have begun moving toward Mocoa.

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The new mobilization is aimed at pressuring the national government into building a hydroelectric plant on the Mocoa River. This plant would solve the electricity problems of much of this department.

The peasants who had occupied the El Oro Oil Tank Complex in La Hormiga Municipality have peacefully abandoned the oil installations to open doors to negotiations with the national government.

[Begin La Hormiga Mayor Felipe Guzman recording] I have given the peasants my word that a negotiation commission from Bogota will come. My life is at stake right now, because if the government does not fulfill its promise, my life would be in danger because somehow I represent the government. [end recording]

The peasants have moved only a few meters away from the oil tanks.

[Begin first unidentified peasant recording] We want the government to satisfy our demands. [end recording]

Some demonstrators have said they expect a prompt response from the national government. Others have said they are willing to initiate a referendum for separation from Colombia and to join Ecuador.

[Begin second unidentified peasant recording] If the government does not help us, we will start looking at Ecuador. [end recording]

The situation remains tense. The Army's Special Forces Command remains stationed at Santa Ana Base.

The peasants have said they will remain at El Oro base until there is an official response from the national government.

Problems, Poverty in Putumayo Described

PA0801034595 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0130 GMT 8 Jan 95

[Report by Maria Alejandra Villamizar; from the "AM/PM Newscast"]

[FBIS Translated Text] The situation in Putumayo seemed to remain complicated late this afternoon after peasants peacefully left the Ecopetrol [Colombian Petroleum Enterprise] installations yesterday. According to our correspondents, the government minister's delays in holding talks, the Army's provocations, and the infiltration of the guerrillas, who are (?instigating) the people, sum up the conflict this evening.

Residents are seeking to resolve problems of administrative corruption, unemployment, poverty, lack of communications, coca plantations, and guerrillas, the solution to which cannot only be found by fighting drug trafficking as the government believes.

There is poverty in Putumayo even though the region has received a total of 25 billion pesos in oil revenues in the last five years.

News of peasant movements are heard these days in Putumayo, but this is only one part of the problem. Actually, the department is facing a situation of poverty as in more than half of the country. An example of this poverty is in the largest municipality in Putumayo, Puerto Asis. With a budget of 4.15 billion pesos, Puerto Asis has nothing. It does not have an aqueduct, 75 percent of the people have no drinking water, and it has a power plant of only 1,200 kilowatts, which does not even meet the energy needs of 35 percent of the population.

There is not one single specialist at the hospital, and there is an education deficit of 500 students. It has two national roads linking it to Pasto and Pitalito, but neither is paved. In addition, it faces a migration wave that is creating serious problems of land invasions and housing, because the transient population has reached 10,000.

The only presence of the state are the security bodies:

[Begin recording] [First unidentified local resident] We do not have electricity; we do not have anything. We do not have an aqueduct. We are tired of suffering. We do get some water but no electricity. We are suffering. There is nothing where we live. There is nothing here.

[Second unidentified local resident] This municipality has more than 40,000 residents. Electricity service only reaches 25 percent of the population. Utility services are all inefficient here. We do not have good aqueduct services, because only 30 percent of the population gets water. It is a shame to drive through these streets. Parts of them are paved, but 90 percent of the streets are unpaved. [end recording]

Government Commission Travels to Putumayo Department

PA0801200695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1800 GMT 8 Jan 95

[Report by Bolivar Dario Parra; from the "Cripton Newscast"]

[FBIS Translated Text] The government-appointed commission to prepare a social action program for Putumayo Department is comprised of approximately 15 people. This commission, headed by Jose Noe Rios, the former presidential adviser for Uraba, left the National Police air base to go to Orito this morning. According to Rios, this commission will not negotiate with the demonstrators because its objective is to solve problems related to running water, electricity, health, and roads in Putumayo Department. Once the program is drafted, President Ernesto Samper will approve it when he holds the fourth regional government congress in this area, approximately two months from now.

[Begin Rios recording] We are going to Orito. We will hold a short preparatory meeting there, and I believe we will go to La Hormiga right after that. We are going to prepare an action program which, to a certain degree, implies an investment program. The importance of this

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trip lies in learning about the people's concerns and directly finding out about their difficulties and the issues critical to them. [end recording]

The commission coordinator said public order is under control in the Putumayo area and that the demonstrators are just waiting for the dialogue to commence.

[Begin Rios recording] Yes, I am optimistic by nature. I know the situation has improved considerably. [end recording]

The "Cripton Newscast" has learned that the Health Ministry is planning to build a two-story hospital in this region and will reveal the hospital's location today or tomorrow.

FARC Rebels Free 93 Inmates From Putumayo Prison

PA0801201495 Santa Fe de Bogota Inravision Television Canal A Network in 1800 GMT 8 Jan 95

[Report by Ivan Dario Parra; from the "Cripton Newscast"]

[FBIS Translated Text] Public security was threatened again in Putumayo Department, following an attack by the 32d front of the Revolutionary Armed Forces of Colombia [FARC] against the Mocoa jail house. They freed all of the inmates there, including the man accused of setting fire to the fuel tanks in Orito municipality. There were only three police guarding the facility at the time.

The attack was all but announced. There were just the three guards on duty and another three on call. Almost 50 FARC guerrillas occupied the installations just after 0200. After stripping the guards of their few weapons, the guerrillas freed the 93 inmates serving time there. Apparently one inmate was a FARC guerrilla charged with setting fire to the fuel tanks at the Colombian Petroleum Enterprise site in Curuyaco. The man was detained here last Friday.

[Begin recording] [Prison Warden Andrade de Jesus Mora] They took over the entire facility. They came in from all sides and there were just the three guards on duty and another three on call. There is not much three units can do against 50 rebels.

[Parra] What can we in Bogota do for you and the guards at the Mocoa jail house?

[Mora] We need weapons, because we have absolutely nothing here. If possible, we would like reinforcements. [end recording]

The Army and police have resumed control of the prison. The "Cripton Newscast" has learned that the people are preparing to resume their civic strike. This time the activity will take place in Mocoa, the capital.

[Begin Governor Jorge Fulbringer recording] The people promoting the strike in Mocoa are allegedly members of civic movements. They have been directing the latest activities in Putumayo. [end recording]

Envoy to U.S. Remarks on Report by Americas Rights Watch

PA0701005995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 6 Jan 95

[Report by Daniel Rocha from the "Seven O'Clock Newscast"]

[FBIS Translated Excerpt] [Passage omitted] Children are the victims of violence in Colombia according to a private human rights organization, Americas Rights Watch:

[Begin Jose M. Vivanco, Americas Rights Watch director, recording, identified by caption] Colombian state and police agents are responsible for this type of crime according to the investigations conducted by Americas Rights Watch in Medellin, Cali, and Santa Fe de Bogota. These police agents commit crimes sometimes wearing their uniform, sometimes without their uniform. In addition, certain private groups act in collusion with or with the acquiescence or coordination of Colombian National Police agents. [end recording]

In a year when the Colombian Government is conducting a strong campaign to improve the country's image abroad and when the embassies were ordered to strive for the improvement of that image, we believe it is important to learn of the opinions of Carlos Lleras Restrepo, our ambassador to the White House:

[Begin Lleras recording] This report constitutes a reprimand, if you will, not only for the government but for all Colombians, pseudo-guerrilla groups, drug traffickers, paramilitary men, military agents, and common criminals. All of them must respect human lives, particularly those of children. A country that fails to respect and defend its children is sowing violence for the future. [end recording]

But is it an honest report, or is it an exaggeration?

[Begin Lleras recording] The Americas Watch report is slanderous, clearly slanderous for the country. All of us who are versed in the issue emphatically reject the report. [end recording]

Although this issue is not a new one, we concur with the opinions of many journalists here in Washington. Although the Colombian Government has made efforts to improve its image abroad, no one ever speaks well of Colombia. It has made good progress, but if we are only at the beginning of the year, can you imagine the rest of the year?

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Ecuador

Executive, Legislature To Discuss Differences Over Budget

PA0701170795 Mexico City NOTIMEX in Spanish 0105 GMT 6 Jan 95

[FBIS Translated Text] Quito, 5 Jan (NOTIMEX)—Tensions between President Sixto Duran-Ballen's administration and the legislature began to abate today after the two government branches adopted conciliatory positions on the approval of the 1995 budget.

In a communique, the government said it was willing to hold discussions to reach a final agreement on the distribution of a segment of the budget over which it has had disagreements with the legislative branch, in which the opposition holds the majority.

The announcement was made after Congress approved the budget for the current year yesterday afternoon and admitted that the figures that had recently appeared were the ones the executive branch had originally presented.

After learning of the official statement, Congress President Heinz Moeller of the opposition Social Christian Party said he was willing to initiate a dialogue with the government.

The political trial against Finance Minister Modesto Correa, however, is pending. This action was requested by Socialist Deputy Diego Delgado in the latest chapter of strife, which opened last Monday, between the two government branches.

The confrontation arose when President Duran-Ballen announced the unilateral approval of the budget after the parliamentary committee in charge of this matter had failed to approve it by 31 December 1994.

This week's confrontation between the administration and Congress is the latest in a series of similar incidents over the past several months and must be attributed to difference over constitutional reforms. That issue was left on the back burner when the confrontation over the budget erupted, but it will reappear in the next few days because the legislature must continue to discuss it at least until 12 January.

One of the main disagreements between the legislature and executive is the proposed constitutional approval of privatization of strategic sectors of the economy that had been handled exclusively by the state up to now.

The Duran-Ballen administration maintains that private firms should be allowed access to those areas, but several parliamentary blocs are opposed to this initiative.

Legislators Approve Own Version of 1995 Budget

PA0701033595 Quito Voz de los Andes in Spanish 1200 GMT 6 Jan 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The Ecuadoran Government has stated it will take to court any official who dares to implement the 1995 budget that President Sixto Duran-Ballen has approved unilaterally.

Legislators from the opposition parties that control Congress said the president's budget is void, and they have approved their own version of the budget. Ecuador has two budgets now. Modesto Correa, finance and public credit minister, will be the first official to be taken to court:

[Begin unidentified deputy recording] We requested the presence of Finance Minister Correa, because he has violated two constitutional articles. Article 71 clearly states the Congress plenum must resolve the impasse if there are discrepancies between the budget commission and the executive branch, as stipulated in the Constitution, and Article 140 states the Constitution is the only viable solution, because it is above any law, regulation, and even any international agreement. The Constitution is preeminent. [end recording]

Student's Death Prompts Accusations Against Government

PA0701234795 Hamburg DPA in Spanish 2222 GMT 7 Jan 95

[FBIS Translated Text] Quito, 7 Jan (DPA)—The death of a student during street demonstrations against an increase in public transportation fares today unleashed accusations against the government, the police, and "infiltrated activists" amid an atmosphere of growing political tension.

While student leaders accused the police of "ferocious repression," police spokesmen claimed their agents were attacked with weapons, incendiary bombs, and dynamite sticks by "unidentified individuals infiltrated among the students."

Meanwhile, the opposition has accused the liberal government of President Sixto Duran-Ballen of provoking the street riots due to its "lack of sensibility."

Juan Carlos Luna, 17, who was shot in his abdomen under confusing circumstances, died early this morning at a hospital in Quito, at the end of a week of isolated student demonstrations that concentrated in the capital's downtown area.

The protests began after the government authorized a 33-percent increase in urban transportation fares, and they then developed into a demand for the abrogation of the law restoring optional religious education in schools, which has not been implemented yet.

On 6 January, the protests grew into strong clashes that left eight students and four policemen injured. Luna's death early this morning increased the political tension.

A bitter controversy between the government and Congress over the 1995 budget since the final days of 1994

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has created an atmosphere of political confrontation, which could worsen on 9 January as a result of the student's death.

The government today ruled out the possibility of temporarily suspending educational activities. It warned, however, it may decide to close the four government schools whose students participated in the demonstrations.

Marchers Protest Student's Death, Religious Education Law

PA0801221195 Madrid EFE in Spanish 1756 GMT 8 Jan 95

[FBIS Translated Text] Quito, 8 Jan (EFE)—Approximately 100 people marched in front of the Ecuadoran Government Palace today, Sunday, carrying the casket of 17-year-old Juan Carlos Luna, who died from a gunshot wound to the abdomen. According to schoolmates, Luna was shot by police on Friday during street demonstrations to protest the law authorizing religious education in public schools. The authorities say Luna was shot by activists who had infiltrated the demonstration. A 45-year-old Anglican bishop who is on hunger strike to demand the repeal of the religious education law also attended Sunday's march.

The presidential guards made no response as Luna's casket passed the main entrance of Carondelet Palace and his relatives hurled accusations against the administration of President Sixto Duran-Ballen.

Leaders of the Democratic People's Movement (MPD, leftist) have asserted that 20-year-old university student Marcelo Mosco was also killed when a tear gas grenade hit him in the head during a demonstration, but that report has not been confirmed. Protests were held in Quito and other Ecuadoran cities throughout the week.

Anglican Bishop Walter Crespo presided over the funeral procession in spite of the health problems he is experiencing from the hunger strike he began on 1 January. He was accompanied by other clergymen.

The street protests are part of the "civil disobedience" called for by the so-called Laicism Defense Front [Frente de Defensa del Laicismo], which comprises approximately 50 peasant, religious, labor, and student organizations and the National Union of Students (UNE), which also rejects the recent hike in public transportation rates.

The Anglican bishop reiterated that the law, which is an initiative of the Catholic Church, must be abolished to avoid more incidents.

The guideline, which has been simultaneously approved by the three government branches, establishes that religion will now be taught in public grammar and high schools, not only in private schools.

UNE President Carlos Medina reported that the "civil disobedience" will continue until the law is repealed because, as he says, "it goes against laicism and the freedom of worship and religion provision included in the Constitution."

Several former education ministers, including Rosalia Arteaga, who resigned after Duran-Ballen publicly announced his support for the law, have warned that non-Catholic religions will be hurt by this law.

According to the Catholic Church, it wrote the law as a tool "to combat the loss of values in society."

Paraguay

Mosad Reports Bomb Threat at Argentine Embassy in Asuncion

PY0601233695 Asuncion Red Nacional de Television in Spanish 2309 GMT 6 Jan 95

[FBIS Translated Text] Our Press Department has just received some information released by the Argentine press: According to the Mosad, there was reportedly a bomb threat at the Argentine embassy in Asuncion. In approximately half an hour, the Argentine Embassy in our city will issue a communique on this issue. We will shortly give more details about this alleged bomb threat at the Argentine Embassy in Asuncion.

Hamas Said Behind Threat

PY0701004195 Buenos Aires Telefe LS84 Television Network in Spanish 2200 GMT 6 Jan 95

[FBIS Translated Text] Last-minute information from the DYN News Agency reports that reliable sources close to the Argentine Government have asserted that the Islamic group Hamas threatened to attack the Argentine Embassy in Asuncion. Let us recall that the Hamas, together with the Islamic Jihad, are two fundamentalist movements that oppose the peace process in the Middle East. The Argentine Government has not yet released any official comment.

Peru

Fujimori Prevented From Using State Assets for Campaign

PY0601235295 Madrid EFE in Spanish 1837 GMT 5 Jan 95

[FBIS Translated Text] Lima, 5 Jan (EFE)—Congress has approved a bill that prevents President Alberto Fujimori from using state assets in his campign for reelection. The bill was approved after a heated debate between the ruling party and the opposition. The approved bill states that the presidential candidate is not allowed to distribute goods acquired with state resources or donated by third parties to the government, and will have to pay for the use of public goods or services he

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might use in his electoral campaign. In the latter case, he will be responsible for his own expenses and those of all his followers, and he will also be compelled to render an account of the same to the National Election Board (JNE).

In another article the law states that Fujimori will not be able to make campaign speeches or to refer to his electoral opponents while inspecting or dedicating public works for 90 days before the date of the elections, slated for 9 April 1995. The approval of that article prompted a heated argument, because the political opposition wants the president to be fully forbidden from dedicating or inspecting projects during the campaign.

The law establishes that the president-candidate "will only be able to campaign when he is not carrying out government functions," and that he is prevented from referring to the other candidates in his official public speeches or presentations.

The radical opposition left the Congress hall before the approval of the law, believing that the modification of the bill sent by the JNE violated its autonomy and supposed "a demonstration of the desire for fraud." It also criticized the fact that an article has been added to the law which establishes that the candidates' pictures be posted on the ballot.

Leftist leader Henry Pease said that this idea would favor Fujimori and would harm his opponents "because pictures of the president have been distributed for several years throughout the country.

Another opposition sector and the government bloc pointed out, however, that the JNE is authorized to submit bills, but the approval of said bills is an exclusive prerogative of Congress.

Concerning the photographs, they stated that "it is necessary in order to facilitate voting by those who are illiterate."

The approved law also includes an article which states that expenditures for security and protection of all candidates will be assumed by the state.

Political parties participating in the dispute will be able to accredit, in addition to the traditional representatives, two other delegates who are experts in informatics, to supervise the computerized recount of votes, according to the new rule. Parties that participate in the elections are obliged by this same law to submit to the JNE a sworn statement of the expenditures assumed during the campaign within 60 days after the elections.

With regard to the Armed Forces, the law states that the Armed Forces must send the complete list of their personnel to the JNE 90 days before the elections and as many times as the JNE requests, to prevent the military from participating in the election.

Further on Campaign Law

PY0701000395 Lima Radio Programas del Peru Network in Spanish 1800 GMT 6 Jan 95

[FBIS Translated Text] As of 9 January, President Alberto Fujimori will be unable to campaign when he is dedicating or inspecting public works. The incumbent president seeking reelection will also be unable to either directly or indirectly refer to other presidential candidates or political movements in his speeches.

Any violation to Law No. 26430, promulgated today by the Executive Branch, will be punished by a public admonition and a fine of no less than 30 and no more than 100 Tax Levy Units [UIT].

With the purpose of safeguarding the cleanliness of the elections and guiding the illiterate, pictures of the candidates will be published on the ballot.

Popular Action Charges Fujimori Campaign With Election Fraud

PY0701005395 Lima Global de Television Network in Spanish 0130 GMT 6 Jan 95

[From the "Vote 95" feature]

[FBIS Translated Excerpt] A few hours after the approval of the draft bill regulating the campaign activities of the incumbent president seeking reelection, Popular Action [AP] charged before the National Election Board [JNE] that the inclusion of pictures of candidates on ballots and the distribution of 6 million notebooks containing President Fujimori's picture constitute electoral fraud.

JNE Member Walter Hernandez Canello said he personally believes it would be an inconvenience to introduce changes.

AP President Candidate Raul Diez-Canseco raised these charges after registering the AP candidates for the legislature.

In the company of a large crowd of followers, the AP presidential ticket went to the JNE to register the AP candidates for the legislature to be elected in the general elections scheduled for April. As is already known, the AP candidates for the legislature are headed by Chiclayo Mayor Arturo Castillo. It also comprises AP leaders, former legislators, seven mayors and nationwide representatives.

[Begin Diez-Canseco recording] As is established in the AP platform, the AP list of candidates to the legislature clearly proves our categorical intention to implement decentralization.

The average age of those included in the list of candidates does not surpass 42 years old. More than 75 percent of those included in the list are people seeking a legislative post for the first time in their lives. [end recording]

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After registering the list, Diez Canseco and his running mates held a private meeting with JNE President Ricardo Nugent. They expressed their disagreement with a measure approved yesterday in Congress through which the pictures of candidates will be published on ballots.

They also raised a serious charge that was later made public:

[Begin Diez-Canseco recording] These notebooks [with Fujimori's picture] have been distributed in strategic places nationwide. Education Ministry officials already have them to be distributed in the so-called school package. [end recording]

Diez-Canseco demanded that the JNE adopt measures to avoid what he described as electoral fraud. [passage omitted]

Law Forbids Public Exhibition of Detainees

PY0601232795 Lima Radio Programas del Peru Network in Spanish 1800 GMT 6 Jan 95

[FBIS Translated Text] According to a supreme decree published in the official newspapers, President Alberto Fujimori has promulgated a law forbidding the public exhibition of detainees by police. This law does not apply to those charged with treason to the fatherland or leaders of terrorist organizations, identified as leaders, chiefs, or the equivalent, and duly identified as such by public officials. Moreover, this law does not apply to those terrorists still at large who appear in the the videotape showing [Shining Path, SL, leader] Abimael Guzman—who is serving a life sentence—dancing like Zorba the Greek. It also is not applicable to others like MRTA [Tupac Amaru Revolutionary Movement] leader Nelson Serpa Cartolini.

Further on Campaign Issues, Halt to Exhibitions

PY0601231695 Lima Global de Television Network in Spanish 0130 GMT 6 Jan 95

[FBIS Translated Text] President Fujimori justified the inclusion of candidates' pictures on ballots by stating that it is a common practice in neighboring countries and Europe. Nevertheless, Fujimori reasserted his decision to punish those who use state assets in the election campaign.

Making a stop in his tour of Junin, President Fujimori also referred to subversion:

[Begin recording] [First unidentified reporter] President Fujimori today dedicated a new top security penal institution in La Merced. This penitentiary is located in the Chanchamayo area. Also present at the ceremony were Supreme Court President Moises Pantoja and Justice Minister Fernando Vega Santa Gadea.

[Fujimori, in progress] ...there are only some 10 or 12 subversive leaders being sought by the police. The exhibition of terrorists in striped prison uniforms before the press will be forbidden as of 6 January. The only exception to the rule will be those being sought by the police or the courts and who have been duly identified as Shining Path [SL] members. For example, this exception will apply to all those who appear in the Zorba the Greek video. This will apply to all of them whenever they are arrested, and wherever they may be. In view of this, these people will be presented in public wearing striped prison clothing. This procedure will not be applied, however, to other alleged subversives.

[Second unidentified reporter] Will there be any changes regarding the faceless judges?

[Fujimori] Yes, we plan to introduce amendments to the antiterrorist legislation with the purpose of normalizing it. We will be making a new assessment in the near future to establish whether to eliminate the faceless judges. All of us must be alert so as to avoid an eventual resurgence of terrorism. [end recording]

Venezuela

Executive Lifts Price Controls on Certain Products

PA0701173595 Caracas Venezolana de Television Network in Spanish 1630 GMT 6 Jan 95

[From "The News" newscast]

[FBIS Translated Text] The executive branch took the first step today to lift price controls and reduce the number of products protected by Industry and Commerce Ministry regulations to 15. This initial stage established that only products with a range of prices on the market, such as tomato sauce, detergent, and soft drinks, will be freed from restrictions. It is expected that the Price Regulations Committee will continue planning next week so an announcement lifting price controls on most products can be made soon.

Despite the imminent nature of the measure, the ministry noted that it will continue to watch prices closely. In fact, it added, controls could be applied again in the event of abuses by industrialists.

Another important aspect of consumer protection implemented by the ministry was that announced by Industry and Commerce Minister Alberto Poletto on an agreement with private clinics to establish regulations for emergency services.

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